Money: groundwork for a study of social relations, power and institutional change

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Introduction

Money is an enigma, a complex metaphor that requires careful thought for its comprehension. Countless studies have been dedicated to the solution of this enigma: a never-ending search for the Philosopher's Stone, the 'secret' at the origin of money. However, only a few have been concerned with comprehending and accepting its very 'mystery', and namely why money is so important – so *significant* – to us. Admittedly, it is impossible 'to comprehend a mystery', which is by definition elusive, inexplicable, unknown, incomprehensible. And yet, the wonder of language is that we can speak of the inexplicable, the unknown, the indefinite, the undetermined: we can even speak of 'nothing' and give it a *form* that would make it understandable in some sense within a discourse, meaningful *in context*. What are indeed languages if not living *testimonies* of the truth that all possible things always come 'with a text' (*cum textus*)? That is, in order to exist all things ought to be spoken in context and joined together by meaningful relations articulating a discourse, a *logos*. There lies rationality: neither in subjectivity or agency, nor in objectivity or structure, but in contextual relations and *relations of relations*.

Money, too, is first of all a word whose existence is to be *ascribed to* the *logos*, for we cannot think of money and, reciprocally, money cannot *be*, outside of the discursive dimension of language. *The word has a meaning that necessarily comes with a text* (incidentally, this is why *money* is not the same as *moneta*, *argent*, *geld*, *nomisma*, and "Charon's obol, Judas' thirty shekels, and the inexhaustible penny of Isaac Laquedem"). But then, as it is often the case, hallucinated by the sound and the *soundness* of the word – as if the vibes were not travelling indefinitely through the time and space of a larger context, but were resonating entirely within our minds – we lose touch with its meaning, and forget its (hi)story. It thus comes as no surprise that history is routinely forgotten by *men possessed of logos*. Historical plots of social relations, "indefinite skeins of interminable referrals" are systematically *entrusted* to the word, carved into its sign which is thus *instituted*. *We are*, in relation to one another as parts of a greater (social) whole,

because of this institution. The mystery of money is precisely the mystery of the institution or, if you like, the mystery of *the verb made flesh*.

'The verb is made flesh' means that we, in constructing our subjectivity whilst relating to one another, constantly objectify, or *rationalise*, the creations of the *logos* (which, it will be argued in chapter 5, does not simply stand for 'word', 'speech-thought', 'reason', 'ground', 'discourse', but also and most importantly for 'relation'). That is to say, we *alienate* figures of speech-thought, *reify* relations, *objectify* signs and, in the process of doing so, we *institute* reality as such. Yet, provided that the 'objects' of reality are ultimately 'speaking words' – ideas crystallised into institutional forms, *eidei* that speak to us, emblems that engrave meaning upon us (despite the fact that we originally created and spoke them first) – we cannot hope to comprehend them unless we make sense of their significance as linguistic-discursive figures with the ability to designate, convey action, signify human relations and institute reality *in some sense.* And so, to properly deal with the question of money, we ought to comprehend the *significance* of its institution before we pass judgment on its *nature*.

As it will be argued in chapters 4 and 5, the significance of money is in the last instance a *political* significance, not only because behind the genesis of a money is always a story of conflicts, particular interests and power relations, but also because its very institution enables the actuation of political projects in a society. Again, the problem is: we tend to forget. And so, forgetful of the mysterious, ontological aspect of 'money as verb', scholars generally strive to reveal the secret of its flesh, that is, the allegedly universal nature of its substance, showing little or no regard for the word and its (contextual-historical) meaning. Accordingly, most studies subordinate the question of 'why money', the *what (ought to be) for,* to the issue of 'how money', the *what is*, in the crudest act of reification, or hypostatization, of something which is *not really a real thing* in the same way as a chair, a statue, a teaspoon and an umbrella are. For money, it will be argued in this work, is not 'real' and it is not even 'nominal', as heterodox economics posits: if anything, money is 'virtual'[1], that is, *nearly* real and yet fundamentally illusory and deceiving.

Functionalist or essentialist definitions of money, as the ones found in economic

[1] The term 'virtual', says Legendre (2005: 190), refers to the immensity of forms: *virtus est immensitas virium*. Virtual is the place where the unlimited, the infinite, the phantasmagorical, find their own course *through words* as if in a vivid dream. But the dream itself is a text where *nomina ossibus inhaerent* – where the word adheres to the bones, and the verb is made flesh. The virtual is what sets a limit to the unlimited.

textbooks, are of little help in this respect (see chapter 4). For instance, economists say that money is a ‘measure of value’ and yet in no way have they been able to measure *with precision* its quantity (see chapter 5); in fact, even though money *measures* exchanges, monetary transactions are able to grow *out of proportions* to the point that no *measure* will be enough to limit financial speculation. When this happens, the pecuniary values of financial assets allegedly ‘deviate from their fundamentals’, blown up by a bubble: the animal spirits are unleashed (see chapter 3). However, the frantic increase of speculative transactions can lead to a halt, a ‘credit crunch’, a sudden draining of liquidity: paradoxically, the ‘medium of exchange’ may stop mediating at once because it was circulating *beyond measure*.

We fool ourselves into believing that money is just a unit and standard of account, a means of payment, and a medium of exchange. And in a sense that’s what money *normally* does. However, as post-Keynesians often claims (though they probably give their words a different meaning), *money is not what money does*. So what is money or, better, *why* does it exist? The point will be made in chapter 5 that money is instituted to satisfy a *need* or, better, to remind us all of an *absence* (a lack). This need/lack materialises in the articulation of a *normativity*, that is, the institution of a norm, or ‘constitutive rule’, that sets the terms for a *game* but at the same time does not specify what the game is about. In particular, it will be argued that the game of money is one in which we can *create* powers and *negotiate* them (i.e. trade them). Whilst doing so, we do not understand, nor do we care about, the greater purpose (*telos*) of the game (provided that there is one). Our *interests* are indeed manifold and our *projects* may grandly differ, so that eventually everyone is going her own way. In the end the game is so compelling, and we are so *into it*, that we just play in the heat of the moment.

Our experience of money is accordingly schizophrenic for the most, as we indeed perceive it at once as a universal and a particular power: *the One and the Many*, as it will be suggested in chapter 4. The same applies to our intellectual reflection on money which, it will be argued in part I (especially chapter 1), is generally split into an ontology of money as a *universal means* (or *instrumentality*) irreconcilable with an analysis of money as a *particular end* (or *finality*). To be sure, most of us dogmatically accept the ‘universal’ as a revelation from above; consequently not only do they tend to encompass the particular into the universal, but they also pretend they can infer the former (reduced to a matter of

detail) from the latter. This is for instance the case of neo-chartalist economists, who argue that money is a promise that the government is able to impose on the general population because of an undisputed sovereignty, and yet who don't explain how and why this sovereignty is historically constructed (see chapter 2).

To be sure, we cannot infer the particular from the universal, or vice versa. What we can do, however, is to seek in our common sense the *logos*/relation that holds this two complementary aspects of the institution together. The basic idea underlying this work is that what makes money an institution, and hence a quintessential sociological phenomenon, is not that it serves as a measure and medium of value, but that it is pursued for its own sake, as a *value in itself*. This quality of money *as* value is partially captured by the much under-theorised notion of *store of value*. Keynes was among the first economists to openly recognise the economic as well as political significance of the store of value with his 'liquidity preference' hypothesis (see chapters 2 and 3). As a store of value, the purpose of money is not to circulate per se but *to be strategically withdrawn from circulation.* Also, money is not just a measure of value but is pursued as a most liquid financial asset, a bearer of options about how to spend and invest one's own purchasing power. As it will be argued throughout part I, in no way can we make sense of modern money and finance unless we consider its fundamental role as a store of value and a most liquid financial asset.

This said, there is more about the store of value than meets the eye, enough to set up a complex philosophical problematic. Indeed, money as value, or else the *being of value* of money, defines the *singularity* of its phenomenon (as it will be termed in chapter 4), a puzzling 'what is this' that identifies at once a universal (i.e. 'what is') and a particular (i.e. 'this') form which, crucially, is indeterminate and indeterminable. A good way to think of the money-form is precisely to figure it as a trope (perhaps a verb metaphor): like the latter the form of money is never fixed, determined, in the same way as a photographic picture is, but is at any point in time open to the creation of (potentially interminable) referrals starting from and surrounding its texture. Put crudely, at any point in time (and provided that we share the same political space) we are in the condition to negotiate potentially anything with the purchasing power we hold. In this respect, it is interesting to note that the Greek word *tropos* is related to the root of the verb *trepein*, meaning 'to turn', 'to direct', 'to change', 'to alter'. Like a trope, money's essence (or 'being') is to drive change (or

‘becoming’).

This is why it will be argued in chapter 4 that the form of money is *changing* (mutable, protean) and *is* indeed changing ‘here and now’, producing social change and *making history* by giving purpose (and sense) to social relations. This purpose, again, is primarily *political*, and only in the second place *economic*. In fact, the need/lack of which money is emblem is not dictated by an economic rationality (i.e. structure), nor is it expression of a ‘will of power’ (i.e. agency), so to speak. Instead, it will be argued in particular in chapter 5, this need/lack materialises in the institution of a peculiar power relation: a proportionality (*analogia*) among men assuming the semblances of ‘equality in exchange’ (see chapter 5). *In virtue of* equality in exchange men no longer need to physically exert violence in order to establish their worth (honour), nor do they need to make war to each other *as enemies*, but they can finally *claim* their *propriety* (now vested as private *property*) by legal-rational means (i.e. by *nomos*) and, especially, make war to each other *as friends*: i.e. persons formally ‘affiliated’ to the same political association of equals and participating in the same collective enterprise (see chapter 5 and 6).

Crucially, money and the law are constitutive of the same normality (*status quo*). In effect, under any circumstances men are equal before money in the same fashion as they are equal before the law: namely, in a ‘fictional’ way (*de iure* but not *de facto*). Within the same polity there are indeed proprietors *and* proprietors, citizens *and* citizens. This is in a sense why Aristotle said that *nomisma* is not by *physis* but of the same kind as *nomos*: because, like the law, money is not the expression of a natural, arithmetical (market-like) equality that can be set among the products of men, but is the manifestation of a fictional equality among men’s worth which, in turn, is symptomatic of a justice of a political kind (see chapter 5). Yet, we must be particularly wary of this sort of dichotomic categorisations: as it will be suggested in chapter 6, both *physis* and *nomos* of money do matter for our understanding of the phenomenon, but none of them can be posited as an ontological foundation for it. Put crudely, this means that though money is certainly not *a natural product of* the economy (by *physis*), it is not even a *creature* of the ‘civil’ society (by *nomos*). On the contrary, money is *the historical making of* politics and a *creation* of the *logos*: it is that which let the economy and the civil society – in fact, the *political economy* – begin.

To be sure, the political economy, it will be shown in part I, is not what orthodox economists think and say it is. In the monetary economy exchanges are not barter-like inter-actions but *contractual trans-actions* producing first of all property rights and obligations. Here the economy is not about economising, or optimising the exploitation of resources. Rather, 'economy', as the Greek word *oikonomia* indicates, is pure and simply *the law of private property* (please note, by *oikos* the ancient Greeks did not mean 'household' but the basic domain of property that a Greek man ought to command to be formally recognised as a member of the political association of equals holding power in the *polis*). Significantly, this law is not primarily concerned with norms of production but with processes of participation and (re)distribution (see chapter 5 and 6, but also chapter 3 about speculative finance). This economy of powers is expression of money's normativity *in its making*: it is the ongoing equalisation of all things, the systematic liquefaction of social bonds and their commodification, the thriving illusion that all can be in one glittering coin, a *current* value *shared* by the collectivity at large and hence capable of cutting across political hierarchies (see chapter 6).

Such a key-performance of money in the making of history, however, doesn't make it an 'autonomous' entity – i.e. an *auto-nomos* with a rationality or logic of its own, as the positivist mentality would suggest. Money remains ultimately a creation of social (property) relations and, in this respect, Aristotle's lesson must not go unheeded: *it is in our power to change it and make it useless*.

PART I

CHAPTER 1

The problematic nature of money

Or how alternative thinking has learned to stop worrying about *value* and love the *measure*

"Money, it is well known, serves two principal purposes. By acting as a money of account it facilitates exchanges without its being necessary that it should ever itself come into the picture as a substantive object. *In this respect it is a convenience which is devoid of significance or real influence*. In the second place, it is a store of wealth. So we are told, without a smile on the face. But in the world of the classical economy, *what an insane use* to which to put it! *For it is a recognised characteristic of money as a store of wealth that it is barren*; whereas practically every other form of storing wealth yields some interest or profit. Why should anyone outside a lunatic asylum wish to use money as a store of wealth?" (Keynes, quoted in Frankel, 1977: 59).

Of the many works published in recent years on the subject of money, *The Nature of Money* by Geoffrey Ingham stands out as the single most important contribution, as it manages to synthesise in a comprehensive sociological theory the many heterodox motives that animate the current debate, de facto setting the standard for a critical discussion of orthodox monetary theory. At the basis of Ingham's sociology is the key-idea that money is not a mere instrument for the exchange of goods and services but an anonymous, readily transferable *promise*: accordingly, money is always fiduciary to an extent, that is, based on *trust*, and this is what makes it a quintessential sociological phenomenon. The greatest originality of Ingham's work, however, is not to be found in his sociological understanding of money per se (the idea that money is a token of trust has indeed a long history) but in the methodological project that underpins it; the latter indeed reveals a remarkable attempt

to overcome the methodological limits of both agency-based approaches (i.e. methodological individualism) and structure-based ones (i.e. methodological collectivism) by resorting to an analysis of ‘money as a social relation’. As Ingham (2004: 16) points out in this respect, modern theorems of orthodox economics are in fact based on either *object-object relations*, and namely structurally-determined exchange ratios between commodities (what he calls the ‘production function’), or *agent-object* relations, that is, volitional acts of calculation (what he calls the ‘utility function’). That is to say, mainstream economics excludes from its model-making the *agent-agent relation*, i.e. the *social relation proper* which, by contrast, wants to be the privileged object of his work.

Admittedly, to say that money is (the product of) a social relation, in itself, is not really a new thing and it is certainly not enough to mark a progress in our understanding of the phenomenon; many scholars before Ingham have looked at money from a more philosophical, sociological, and historical point of view and have long concluded that money is the product of some type of sociality. Regrettably, with only this in mind one doesn’t go too far from the insidious consideration that money is the product of ‘social relations of exchange’ and, eventually, a creature of the market. This is precisely what the orthodox position maintains in a rather dogmatic fashion, that is, without providing a specification of the historical character of the exchange of which money is assumed to be object/subject (see Hodgson, 2001). Contra mainstream economics and alike naïve approaches, Ingham points out that by ‘money as a social relation’ he intends “more than the self-evident assertion that money is produced socially, is accepted by convention, is underpinned by trust, has definite social and cultural consequences and so on” (Ingham, 2004: 12). More exactly,

> [m]oney *is* itself a social relation; that is to say, money is a ‘claim’ or ‘credit’ that is constituted by social relations that *exist independently of the production and exchange of commodities.* Regardless of any *form* it might take, money is essentially a provisional ‘promise’ to pay, whose ‘moneyness’, as an ‘institutional fact’, is assigned by a description conferred by an abstract money of account. Money is a social relation of credit and debt denominated in a money of account. In the most basic sense, the possessor of money is owed goods. But money also represents a claim or credit against the issuer – monarch, state, bank and so on. Money has to be ‘issued’. And something can only be issued *as money* if it is

capable of cancelling *any* debt incurred by the issuer.

Ingham (2004: 15-37) is thus adamant in rejecting in their entirety the "meta-theoretical foundations of orthodox monetary analysis", rooted in the notion of commodity-money and placing a strong emphasis on the role of the market, in favour of alternative fundamentals that he draws both on the classics of heterodox theory (in particular Knapp, Mitchell-Innes and the early Keynes) and on contemporary approaches stemming from the post-Keynesian tradition and including, in particular, neo-chartalism. He thus summarises his general understanding of money in four basic points, or themes (visibly in contrast with the main tenets of orthodox theory): first, money is *essentially* an abstract measure of value (or money of account), not a medium of exchange; second, money consists *substantially* in a claim (a credit, a promise), not a commodity; third, money is a creature of the (state) authority, not a product of the market; finally, money is *performative*, that is, it is not *neutral* in the economic process (Ingham, 2004: 56).

If we exclude the third point – money is a creature of the authority – which still divides the heterodox tradition between those who support the primacy of the state (in particular, the neochartalist supporters of the notion that state taxation drives money) and those who sustain the primacy of the market (in fact, the endogenist advocates of the idea that the money supply is function of the market-driven *endogenous* demand for credit), these points can be taken as the 'meta-theoretical' foundations of an emerging Grand Theory – a new paradigm or cosmology encompassing the whole of social sciences – that wants to be radically *alternative* to the common sense currently upheld by mainstream economics. However, as it is often the case, intellectual positions that negate each other may share the same mentality and it is not unusual to witness how, paradoxically, one becomes what one fights. Indeed, as I will argue in what follows, Ingham – and with him the entire heterodox tradition – does not provide a real alternative to mainstream economics, but rather shares similar theoretical deficiencies with it, because of two interrelated reasons: first, an inability to outline a radical ontological problematisation of money as a social power and, hence, an unwillingness to shed light on what lies in the shadow of the overly-economic notion of 'purchasing power'; second, a failure to set up a proper 'relational' methodology capable of overcoming the limits of structure-based 'macro' and agency-based 'micro' approaches. In particular, by resorting to a either 'systemic' or 'individual' *rationality* to

determine the origins and the purposes of money, both approaches indistinctly tend to underestimate, or even neglect, the political dimension of the money phenomenon – how rationality is in fact constructed in the human praxis of socially relating.

In the next section I will focus on the ontology of money, as outlined by Ingham and endorsed by virtually all contemporary heterodox theorists, and show how the idea that money is *essentially* a money of account and *substantially* a claim gives rise to an ambiguous discourse incapable of resolving the contradiction – in fact, the epistemological *hiatus* – between money as *measure of value* and money as *value in itself* and, hence, the contemporary enigma of 'fiat money': the promise of payment serving as means of payment.

The essence of money

The nature of the money described by Ingham escapes *unitary* definitions. In fact, money is dogmatically assumed by the British scholar to be *dual* (Ingham, 2004: 4): namely, an *infrastructural power* that provides the basis "for the progressive rationalization of social life" as well as a *despotic power* that "expands human society's capacity to get things done" and that "can be appropriated by particular interests". That is to say, money is at once an *abstract unit*, proxy of an (infrastructural) *universal instrumentality* that cannot be appropriated by anyone, and an *abstract claim*, proxy of a (despotic) *particular finality* that can and must be pursued (and appropriated) by specific individuals (or else it would not be despotic).

This duality is transposed in Ingham's definition of 'what money does': it measures value as well as transporting & storing such a value for final payment or settlement of debt (Ingham, 2004: 70). 'Measure of value' and 'means of payment' are thus considered as the most important attributes of money[2], while the 'medium of exchange' is downgraded to the rank of secondary, derived function and the 'store of value' becomes "money's least *specific* attribute" (Ingham, 1996: 525). In particular, adds Ingham, "the very *idea* of

[2] As I will argue later, the 'store of value' function and, hence, the themes of the value of money and of 'money as value', are not really taken into account by Ingham who, instead of explaining why money does have a value to begin with, tries to derive the value of money from formal properties that can be attached to the money of account or the means of payment.

money […] *is logically prior and historically anterior to market exchange*” (Ingham, 2004: 25). The ‘idea’ of money hence corresponds to the concept of “abstract accounting for value” (Ingham, 2004: 25), and namely the *money of account*, “the primary concept for a theory of money” (Keynes, 1930: 3). This position, sometimes referred to as ‘monetary nominalism’ (Ingham, 2004: 57), can be traced back to the ideas of the early Keynes; as Ingham explains, “the ontological specificity of money derives from what Keynes referred to as the ‘description’ of money by a money of account” (Ingham, 2006: 261).

Notably, his *Treatise on money* (1931) Keynes distinguished between a (real) money-proper and a (nominal) money-of-account, arguing that “the money-of-account is the description or title and the money [money-proper] is the thing which answers to the description” (Keynes, 1930: 3-4).

> A Money-of-Account comes into existence along with Debts, which are contracts for deferred payments, and Price-Lists, which are offers of contracts for sale or purchase. Such Debts and Price-Lists, whether they are recorded by word of mouth or by book entry on baked bricks or paper documents, *can only be expressed in terms of a Money-of-Account* (Keynes, 1930: 3, my italic).

The reason for endorsing the ontological primacy of the money of account seems very straightforward: if we don’t *name* it, we cannot *own* it; that is to say, if we do not agree first upon a metrological standard of account, we will not be able to express prices and arrange contracts with each other. This, however, does not necessarily mean that the definition of the standard and the choice of the means that will eventually settle a contract ought to be separate in time and space, with the former taking place logically as well as historically first, and the latter following somehow in its foot*print*. And yet, such a disputable ‘signifier-signified’ semantics of money, whereby a logically and historically *prior* ‘nominal’ signifier appears as engraving meaning on a logically and historically *posterior* ‘real’ signified (thus asserting its ontological primacy over it), can be found across the entire post-Keynesian tradition. Please note that here the signified does not stand for the physical ‘money-stuff’ or ‘money-thing’ (the particular entity, such as precious metal, paper or bookkeeping entry, serving as actual medium) but refers to the ‘money-

proper' which, according to Keynes (1930: 5), is that the "delivery of which will discharge the contract or the debt" – that is to say, the means of payment.

The ontological primacy of the money of account is preserved in Ingham's conceptualisation of the history of money and, in particular, in Ingham's depiction of the alleged "developmental sequence of the social structure of monetary practice" (Ingham, 2000: 27). The developmental sequence starts with the institution of a money of account (lost in the mists of time), followed by the authoritative establishment of "standards of value based upon quantitative relations between commodities expressed in a money of account", which took place for the first time in third-millennium BC Mesopotamia (Ingham, 2000: 27). Subsequent to it, we witness the authority-driven institution of "standardized means of payment/stores of value" in the broader ancient Near East of the second millennium BC (ibid.) and, eventually, the constitution of a totalising money system rooted in a generalised means of payment and exchange, coinage, starting from 600 BC in ancient Greece.

Notably, in such a developmental sequence the function of money progressively and inexorably moves away from its quintessential essence, as a measure of value, as money evolves towards the universal medium of exchange. Also, the historical gap occurring between the initial institutionalisation of monies of account and the subsequent institutionalisation of a generalised medium of exchange (coinage) is enormous: whereas metrological standards of value were first established in the third millennium BC by the temple and palatial authorities of the ancient Near East, the final stage of the sequence only took place in the Classical Greco-Roman world, with the consolidation of the coinage-based Roman monetary order (Ingham, 2000: 27; 2004: 89-106). But if so, what, then, can explain the historical gap between the institution of 'commensurability' and that of 'exchangeability'? Are we sure we can infer links of causality and, perhaps, derive a 'developmental sequence' of monetary practice, moving from the single assumption that money is *essentially* a measure of value, as Ingham does? In other words, can the money of account alone explain the institution of all other monetary functions?

To be sure, Ingham does not provide any clear mechanism of causation as a rationale for the sequence *money of account – means of payment/store of value – medium of exchange*. However, he claims that in each of these sequential steps the authority plays a crucial role.

In effect, Ingham's ontological primacy of the money of account is always implicitly complemented by an *ontogenetic primacy of the authority*, which is said to be necessary to the development of all monetary functions starting from the measure of value. As he himself points out, "moneyness is conferred by money of account, which cannot be produced by the free interplay of economic interests in the market; it must be introduced by an 'authority'" (Ingham, 2004: 49); also, money "always has an authoritative foundation" (Ingham, 2006: 271). In fact, the 'development' of money is always connected to the social construction of sovereignty – "money entails sovereignty", says Ingham (2006: 261). In particular, in Ingham's account of monetary history, the teleological series that goes from money of account to medium of exchange seems to take place in conjunction with the rise and fall of 'world orders'[3].

Indeed, following the disintegration of the Roman empire and coinage, the developmental sequence got started again from scratch with the re-institution of myriad standards of account corresponding to equally numerous sovereign spaces in Europe. These monetary standards were then incorporated under the Carolingian rule of Charlemagne in a transnational metrological system, also known as the regime of *moneta immaginera*[4]. With the consolidation of *moneta immaginera* something unique and of a crucial importance for the subsequent constitution of the capitalist monetary order (of course, with the wisdom of hindsight) happened: the *dissociation* or de-linking[5] of the money of account and the means of payment (Ingham, 2000: 28; 2004: 107-112). As a result of the de-linking, "by the late Middle Ages, when people priced things, they had in mind not coins, but commodities and obligations denominated in money of account...The *décrochement* of the money of account from the means of payment firmly re-established the abstract monetary calculation that had been practiced in ancient Babylon" (Ingham, 2004: 110). Again, money was assumingly re-constituted around its original *idea* as the money of account.

The reconstitution of the quintessential idea of money, however, did not involve a mere repetition of things, but an actual *evolution* towards "the pure capitalist credit-money system" (Ingham, 2004: 78). As Ingham's story goes, during the Middle Ages new ways of thinking about money as a dematerialised, imaginary construction began to evolve in

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[3] For the notion of 'world order', see Cox (1987).
[4] On the significance of *moneta immaginera*, see in particular Amato, 2008.
[5] Marc Bloch (1981) originally called it *décrochement*, that is, discontinuity.

concomitance with the customary use of old monetary technologies (i.e. money-stuffs), remnants of the previous monetary order. We can assume in this respect that the de-linking of measure of value and means of payment, coupled with a ‘parcellisation of sovereignty’ throughout Europe (see Teschke, 2003), made monetary relations extremely complex since monetary policy could now rely on the manipulation of both the ‘nominal’ side of money (by crying up or down the coinage) and the ‘real’ side of it (by sophisticating the weight and the fineness of coins). The instruments for the political government of money-mediated social relations thus changed dramatically, de facto opening up possibilities for experimenting new forms of credit arrangements and establishing altogether new ‘things that answered to the description’. As a result, new credit-based means of payment began to circulate in private financial networks along with the traditional money-form of coinage (Ingham, 2004: 113). In time, the de-linking led to the gradual development of modern monetary institutions, and in particular to the emergence of banks of deposits and public banks, the diffusion of the bill of exchange and, finally, the depersonalisation of debt leading to the emergence of the promissory note (i.e. promise of payment) as a means of payment. Finally, in seventeenth-century England these institutional changes culminated in the emergence of a central bank, the institution of a public debt and the hybridization of private bank credit and public sovereign currency into the modern capitalist money: credit-money (see Ingham, 2004: 114-123).

Now, this is no place to debate Ingham’s reconstruction of the history of modern money (I will nonetheless discuss it in the next chapters), but it is nonetheless interesting to note the type of ‘philosophy of history’ underpinning it. From Ingham’s perspective the entire history of money can be seen, in an ideal-typical fashion, as the story of “successive, but overlapping, modes of monetary production”[6] (Ingham, 2004: 78): that is, the story of *structures* of monetised social relations “underpinned and constituted by” historically-specific forms of authority qua sovereignty (Ingham, 2004: 12). To be sure, a similar ‘understanding’ focusing on ‘structures’ and championing a vaguely dialectical evolutionism that goes from abstract measure (ancient monies of account) to concrete means (coinage) to abstract means ‘out of all measure’ (modern credit-money), can be

[6] These modes of money production are essentially four: 1) money accounting according to a standard of value, without transferable tokens (earliest known case: Mesopotamia, third millennium BC); 2) precious metal coinage systems (Asia Minor, circa 700 BC to early twentieth century AD); 3) dual system of precious metal coinage and credit-money (fifteenth to early twenties century); 4) the pure capitalist credit-money system (mid-twentieth century onwards) (Ingham, 2004: 78).

inferred from other relevant heterodox accounts of the history of money (see for instance Tymoigne and Wray, 2006). Arguably, this attention to the 'structure', the 'authority', the 'nominal' goes in the direction of an epistemology (and a metaphysics) close to the 'macro' tradition of economics but in collision with the 'micro' foundations of a methodological project rooted in the notion that money is the empirical product of a social relation.

Again, the ontological primacy of the money of account and the epistemological *hiatus* (rather than historical delinking) between the *nominal* character of money (as a measure of value) and its *real* counterpart (as a means for transporting and storing such a value) are supported by no more than the logical tautology that without a prior (infrastructural) unit of account, there can be no (despotic) means of payment, medium of exchange and store of value whatsoever[7]. This tautology, however, rests on a metaphysical ground. In fact, the alleged dialectic of measure of value (qua signifier) and means of payment (qua signified) is only apparently expression of an effective dialectic, and semantics, of 'nominal' and 'real' aspects of the money phenomenon. That is to say, no evidence is provided by Ingham of an actual interplay of ideal 'essence' and material 'substance' in the making of money; on the contrary, the relationship between signifier and signified is entirely played out at an abstract, idealistic level of *essences-functions* – a naïve ontological level that never affects the analysis of 'money-proper'. Indeed, the means of payment is only the *formal* expression of that 'which answers to the description': to say that the measure of value is the 'description' and the means of payment 'that which answers to the description' is to merely put *form* against *form*. It is like saying that the 'word' is the description and the 'speech' that which answer to the description; however, we can never hear the sound of the speech and understand what is said unless the word is spoken *in a context*. And so, in order to understand how the money-word sounds in reality, we ought to necessarily focus on the context of social relations in which money-proper is actually spoken out. According to Ingham and the heterodox tradition at large, this context is provided by *debt relations*.

The substance of money

The analysis of money as debt is what really distinguishes the heterodox tradition from its

[7] This tautology, in turn, would be corroborated by Ingham's (far from persuading) demonstration that the process of exchange cannot produce the measure (Ingham, 2004: 15-37; 2006: 261).

orthodox counterpart and, correspondingly, what makes Ingham's sociology so methodologically interesting and potentially relevant. The moment debt is taken into account, it becomes evident that "money is not merely a useful technique, comparable to weights and measures; it also consists in social relations that are inherently relations of inequality and power" (Ingham, 2004: 36-7). As Ingham points out (2004: 72, 75), "[a]ll money is constituted by credit-debit relations", and "[m]oney cannot be created without the simultaneous creation of debt", for "money is always issued as a debt, or liability". But what is more important, "it is the *existence of a debt that gives the money value*" (Ingham, 2004: 75, italic in the original). In other words, debt is the *substance* from which money gets its value.

The sense of the relationship between money's value and debt, however, is not easy to grasp. The value of money is indeed function of a systematic social bargain over prices, inflation, interest rates and all those variables that provoke "changes in the balance of power between capital and labour, and between producers and consumers, [and which] affects the purchasing power of money" (Ingham, 2004: 82). Of these many social conflicts that shape money, "the pivotal struggle is between creditors and debtors" (Ingham, 2004: 82). The terms of the struggle between creditors and debtors, however, are not that straightforward, as we shall see.

Although it represents the "most 'economic' of problems"[8] (Ingham, 1996: 525), Ingham considers the theme of the 'value of money' of primary importance for a sociology of money and indeed laments that "there is no consistent distinctively heterodox answer to the question of how money gets its value" (Ingham, 2004: 56). Yet, critically, it must be said that Ingham himself never bothers to explain in analytical details what he means by the 'value of money' but opts to leave this notion in an aura of metaphysical ambiguity, where in a looser fashion he can trace its significance back to the 'measure of value' function (see Ingham, 2006: 261). This is for instance the case when he argues that "within a sovereign monetary space, issuers of money have the authority to change the value of money by manipulating the money of account" (Ingham, 2004: 83). I will return to this point later.

According to Ingham (2004: 57),

[8] Contra Ingham, I will argue throughout my work that the value of money constitutes the most 'political' of problems about money.

> the value of money does not derive either directly or indirectly, as a symbol, from the commodity that comprises the money-stuff, or from a commodity standard that money expresses. Rather, money is held to be a claim against goods; it is *abstract* purchasing power.

In short, concrete indebtedness gives value to money in the first instance, and then this value is expressed by abstract purchasing power, which in effect serves as an *ex-post* measure (please note, purchasing power does not serve as an *ex-ante* unit of value) of the pecuniary value of underlying debt. To be sure, the purchasing power described by Ingham is truly abstract, and indeed abstruse. In fact, it corresponds (quoting Simmel) to "the value of things without the things themselves" (Ingham, 2004: 64, 71; 2006: 261), or "the value of things in pure abstraction" (Ingham, 2004: 71). Also, purchasing power (qua 'value of money') "at any point in time is the result of the economic 'battle of man with man' [quoting Weber] in which money is a weapon (Ingham, 2004: 71), or else it is "the enacted outcome of social and political conflicts between the main interests in the economy" (Ingham, 2004: 81).

Interestingly, to his own admission, Ingham's understanding of purchasing power hinges upon Weber's notion of 'substantive value' (see Ingham, 2000: 29; 2004: 71). Notably, by the latter Weber explicitly referred to the *price* of a monetary asset when serving as medium of exchange[9]. In particular, by introducing the notion of substantive validity, Weber aimed to criticise Knapp's idea that the validity of money could be entirely conferred by the legal authority of the state[10] (see Knapp, 1924). On the contrary, argued

[9] Weber (1978: 75-6) writes: "A material object offered in exchange will be called a 'medium of exchange' so far as it is typically accepted primarily by virtue of the fact that the recipients estimate that they will, within the relevant time horizon, be able to utilize it in another exchange to procure other goods at an acceptable exchange ratio, regardless of whether it is exchangeable for *all* other goods or only for specific goods. The probability that the medium of exchange will be accepted at a given rate for specific other goods will be called its 'substantive validity' (*materiale Geltung*) in relation to these. The use itself will be called the 'formal validity' (*formale Geltung*)". Substantive validity, in other words, is the price of money, whereas formal validity corresponds to its legal tender status, as conferred by the authority.

[10] In fact, says Weber (1978: 178-9), "[i]t is true that by law and administrative action a state can today insure the *formal* validity of a type of money as a standard in its own are of power [sovereignty], provided it remain itself in a position to make payments in this money. […] But naturally this formal power implies nothing as to the *substantive validity* of money; that is, the rate at which it will be accepted in exchange for commodities. Nor does it yield any knowledge of whether and to what extent the monetary authorities can influence its substantive validity. Experience shows that it is possible for the political authority to attain, by such measures as the rationing of consumption, the control of production, and the enforcement of maximum and minimum prices, a high degree of control of this substantive validity, at least with respect to goods or services which are present or produced within its own territory. It is equally demonstrable from experience, however, that there are exceedingly important limits to the effectiveness of this kind of control, which will be discussed elsewhere. But in any case, such measures obviously do not belong in the category of monetary

Weber, the type of validity bestowed by the state, which he termed *formal*, implied nothing as to the ‘exchange value’ (substantive value) of money. Indeed, from Weber’s perspective, the value of money was expression of a substance (which the heterodox tradition will identify with debt) that was *already* commodified, priced, and turned into a negotiable asset that could be readily bought and sold in the market. According to Weber, and *pace* Ingham, substantive value sticks to the medium of exchange, not to the measure of value (e.g. purchasing power is not a characteristic of the American dollar as such but a property of the one-dollar bill).

This, however, did not seem to baffle Ingham’s crusade against commodity money and the orthodox cosmology built around it, for “[n]ot only is money’s formal validity (as a means of payment) established by fiat, its exchange value (substantive validity) is also irreducibly fiduciary, and here the ‘state or community’ (Keynes, 1930: 4) also plays an important role in producing the ‘promise of last resort’” (Ingham, 2000: 29). ‘Fiduciarity’ and ‘promise’ are two major hubs of Ingham’s sociology. As he claims, “[m]oney is a promise, and the production of promise involves trust” (Ingham, 2004: 74); this is why “all money has a fiduciary character” (Ingham, 2004: 85). More specifically, “[m]oney is *assignable* trust” (Ingham, 2004: 85), that is, trust that can be negotiated and transferred, alas, in the same way as a commodity. However, the reason why people put their faith in the value of the money-promise does not depend on the material (commodity) aspect of its token per se but, again, on the authority, since “[e]stablishing the promise requires ‘authority’ which ultimately rests on coercion” (Ingham, 2004: 76).

As for the ‘value of money’, Ingham’s notion of ‘authority’ too wriggles on a metaphysical ground. At first, the authority appears as a *deus ex machina*, an ontogenetic entity that establishes *ex ante* the money of account and, in turn, underpins and supersedes all other monetary functions. Also, in the vest of the ‘third party’ that guarantees the value of the money-promises made by all agents (creditors and debtors) participating in the same

administration. The rational type of modern monetary policy has, on the contrary, had quite a different aim. The tendency has been to attempt to influence the substantive valuation of domestic currency in terms of foreign currency, that is, the market price of the home currency expressed in units of foreign currencies, usually to maintain stability or in some cases to attain the highest possible ratio. Among the interests determining such policy are those of prestige and political power. But on the economic side, the decisive ones are financial interests, with particular reference to future foreign loans, and other very powerful business interests, notably of importers and of industries which have to use raw materials from abroad. Finally, the interests as consumers of those elements in the population which purchase imported goods are involved”.

monetary (sovereign) space, the authority appears as an *exogenous* or, better, *heteronomous* force, exerting a power over the social structure of debt relations 'from above'[11]. This, however, is not the case; as a matter of fact, the 'third party' authority that ought to bear the burden of all promises is also the 'pledgor of last resort', that is, the agency that issues money; clearly, such an authority can never be *super partes* with respect to the monetary praxis. In fact, far from resembling the 'night watchman' state of mainstream (and minarchist) accounts, Ingham's authority is properly speaking an *author* – more specifically, the Original Agent/Author that claims "the right not only to enforce the dictionary but also to write the dictionary" (Keynes, 1930: 5). The authority qua state is indeed said to establish the money of account as well as the formal validity (i.e. the legal tender status) of money-proper; but more significantly, it also determines the substantive value of money (i.e. its purchasing power) "by influencing what must be done in an economy to earn the income to pay the tax" (Ingham, 2004: 84) – that is, by exerting the prerogative power to impose a debt on its subjects.

All in all, it would appear that, rather than 'money entailing sovereignty', 'sovereignty entails money'. In fact, the idea that the value of money is basically conferred by state *acceptation* of the money-promise for tax settlement is the central tenet of the heterodox school of neo-chartalism (see Wray, 1998; 2012b; Tcherneva, 2006), which is greatly inspired by Knapp's classical 'state theory of money' (Knapp, 1924). Briefly (but I will devote a consistent part of the next chapter to this theme), according to neo-chartalists, *in principle* 'taxes drive money' (Wray, 1998); *in practice*, deficit spending by sovereign states does it[12]. Ingham argues substantially the same: the state produces via deficit spending the 'promise of last resort' that will underpin and guarantee all other promises made by the economic agents transacting within the jurisdictional boundaries of its sovereign space. This is true today, under a regime of floating fiat currencies, as it was true back in the day under the gold standard, for "even under a gold standard, it is not the

[11] Notably, at times the authority even appears as a Foucauldian capillary power, so to speak, that *operates through* individuals in the form of a 'collective intentionality'. Ingham, in particular, states that the 'description' of money by a money of account "is assigned by what the philosopher Searle refers to as 'collective intentionality'" (Ingham, 2006: 261). He thus argues on second thought that "money is produced by an authority in an act of sovereignty in which what is to *count* as money and how its myriad forms and media are to be *recognized* as belonging to the same class of phenomena is established by 'collective intentionality'" (Ingham, 2006: 265). For the notion of 'collective intentionality' see Searle (1995; 2005). For a critique of Searle's philosophy see Rust (2006).

[12] Please note, the taxes-drive-money principle is valid only if the state is effectively sovereign and therefore in the condition to impose its own IOU on its people.

commodity but the government's *obligation* that produces the *money*" (Ingham, 2004: 75).

Significantly, as a result of making payments upon the systematic issue of government bonds (i.e. IOUs), the state becomes *in practice* the biggest creditor *and* debtor in the economy, hence "the single largest economic agency" (Ingham, 2004: 84). That is to say, the state is not just some authority that stands 'above' the economy, but an *endogenous* participant and a most powerful one. This arises an important question: if the state is in fact an *economic* agency, it could be accordingly argued that "state acceptance [of its own IOU for tax settlement] is important for the identity [and value] of money only as a result of the size of the state as a transactor" (Dodd, 1994: 29). If so, and that seems indeed to be the case as I am going to show in the next section, "[t]he state's importance with regard to the identity of money would cease to be a question of trust or administrative competence and become instead an issue of economic obligation" (Dodd, 1994: 29)[13]. The state authority and its political power to tax, in other words, would become by-products of an economic rationality subject to the whims of a market economy, pretty much in line with the orthodox paradigm. This becomes particularly evident at the 'global level', as already evidenced by Weber (see note). Ingham himself suggests on more than one occasion that at this level money behaves like a commodity.

> In open capitalist economies under a floating exchange regime, the attempt to manipulate a currency's external exchange rate is a more prevalent means of altering the domestic value (purchasing power) of money. This may be pursued by the central banks' buying and selling on the foreign exchange markets, or by base interest rate changes to attract or deter buyers of currency. *In this regard, the value of money is affected by its status as a commodity and, consequently, it can largely be explained in terms of supply and demand* (Ingham, 2004: 83, my italic).

> After 'moneyness' has been established by the issuer's money of account and embodied in a particular form (metal, paper, electronic, impulse, etc.), only then does it take on the status of a commodity that may be bought and sold, for example, in foreign exchange markets. In other words, *once money has been produced, then economic analysis is applicable*; but it is essential to understand that it cannot explain the existence of money (Ingham, 2004: 198, my

[13] Dodd in this case was criticising Knapp, not Ingham (see Dodd, 1994: 26-30).

italic).

In short, "[o]nce constructed as an institutional fact, money is, of course, traded as a commodity" (Ingham, 2004: 80). Put crudely, once the value of money has been *justified* (not explained) by the sovereign power of the authority – so that, in effect, sovereignty entails money and not vice versa – it can be approached in the same way as an economist normally analyses the value of a commodity (or, better, the value of *capital*): that is, without taking into account the political dimension of the money phenomenon as a whole, but by turning the sociological problematic of the *value* of money into a technical question of the *price* of money. As I am going to show in the next section, what is presented by Ingham as *alternative* to the mainstream common sense shows significant elements of continuity with it.

The value of money

In two articles published between 1913 and 1914 (largely based on the seminal though forgotten work of nineteenth-century political economist Henry Dunning MacLeod), Alfred Mitchell-Innes sustained against the orthodox tradition that there was "no such a thing as the medium of exchange", and that the monetary unit was "an abstract standard for the measurement of credit and debt" (Innes, 1914: 76). According to his 'primitive law of commerce', "a sale is not the exchange of a commodity for an intermediate commodity called the 'medium of exchange', but the exchange of a commodity for a credit" (Innes, 1913: 30). For Innes, money is credit and credit alone (Innes, 1913: 31). Ingham substantially subscribes the view that sees money as an abstract claim or credit (Ingham, 2006: 260) but pinpoints a crucial aspect overlooked by Mitchell-Innes: *even if all money is credit, not all credit is money* (Ingham, 2004: 72). That is to say, to properly serve as money, debt must be "*assignable* – or transferable, or negotiable" (Ingham, 2004: 72; 2006: 267). In other words, either the claim is *marketable* and readily *exchangeable* or it is not money (qua 'capitalist credit-money').

Ingham's history and analysis of money (Part II of *The Nature of Money*) presents a picture that at any rate seems to clash with his conceptual framework; here, in fact, Ingham

suggests that what truly defines the 'historical specificity' of modern money – what makes a promise money-proper – is not the money of account and therefore commensurability per se, but the commercial practice of buying and selling debts and, hence, *exchangeability*, as defined by the degree of *liquidity* of monetary instruments. As he claims, "[t]he essence of capitalism lies in the elastic creation of money by means of readily transferrable debt" (Ingham, 2004: 108). More specifically,

> [t]he capitalist monetary system's distinctiveness is that it contains a *social mechanism* by which privately contracted debtor-creditor relations – for example, bank loans, credit card contracts – are routinely monetized. Private debt in its various forms (cheques, credit cards, promissory notes and so on) are [*sic*] converted into the most sought-after 'promise to pay' at the top of the hierarchy of promises (Ingham, 2004: 134-5).

Ingham's notion of 'hierarchy of money' comes from the neo-chartalist (but also Minskyan) tradition, and "can be though of as a multi-tiered pyramid where the tiers represent promises with *differing degrees of acceptability*. At the apex is the most acceptable or 'ultimate' promise" (Bell, 2001: 158). This promise, representing the 'decisive' money of the system (Knapp, 1924: 95), is normally carried by state money (i.e. central bank, high-powered currency) as well as bank money (i.e. private bank deposits), as long as both IOUs are accepted at state pay-offices for tax settlement (Bell, 2001: 159; Wray, 1998). This said, state money and bank money remain inherently unequal and always coexist as a part of a hierarchy. Indeed,

> [a]lthough bank money is part of the 'decisive' money of the system, its acceptance at state pay-offices really requires its conversion to state money (i.e. bank reserves). That is, bank money is converted to bank reserves so that (ultimately) the state actually accepts only its own liabilities in payment to itself (Bell, 2001: 160).

And so, according to neo-chartalism, the degree of acceptability of promises (IOUs) within a sovereign economy is ultimately function of the state power to impose a tax on its subjects. The higher the acceptability of these IOUs at state pay-offices, the higher their

capacity to be converted into decisive – readily *acceptable* for debt settlement and, therefore, *liquid* – money. Clearly, from this perspective, the state authority remains the decisive factor in the transformation of private debts into liquid securities readily convertible into high-powered currency. However, the moneyness of these promises, and hence their (substantive) value, no longer seems to be ascribable to the money of account per se, but appears as being conferred by their (state-engendered) liquidity[14], i.e. by their capacity to be readily exchanged in the market. All in all, this would call for a reconsideration of the role of the market in forging the value of modern money.

Ingham openly recognises the centrality of the market in the process "by which privately contracted debtor-creditor relationship are routinely monetized", to the point of even reinstating the co-participation of the market, along with the state, in the institution of money. Indeed, as he argues, the monetisation of private debts

> is achieved by complex linkages between the banking and financial system and the state and, in turn, between the state and its own creditors (bond-holders) and debtors (taxpayers). These relations are mediated by a central bank when it accommodates the banking system's private promises to pay by accepting – that is, buying – them with sovereign money (Ingham, 2004:135).

In practice, instead of the state's *naked* power to write and enforce the dictionary, at the basis of modern money there is a "structural relationship" (Ingham, 2004: 48) of indebtedness occurring between the state and the banking and financial system (and hence the market), as mediated by the institution of the central bank (notably, here money is no longer conceptualised as the product of a proper agent-agent relation, but as the outcome of a 'structural' relationship). As a matter of fact, says Ingham, "[t]he state and the market *share* in the production of capitalist credit-money, and, as I have stressed, it is the *balance of power* between these two major participants in the capitalist process that produces *stable* money" (Ingham, 2004: 144). Contra neo-chartalism, Ingham thus sustains that central bank's interest rate policies as well as state spending and taxation are not merely an emanation of state sovereignty (see Ingham, 2004: 141-4, see also next chapter), but "a

[14] For a discussion of the meanings of 'liquidity', see Nesvetailova (2010; 2007).

matter of an implicit settlement between the state, capitalist 'rentiers' and the tax-paying capitalist producers and workers" (Ingham, 2004: 143) – that is, the product of a "complex triangular power struggle" (Ingham, 2000: 33). Significantly, "the political balance of these economic interests that the state [in fact, the central bank] is able to forge is concerned with checking its arbitrary power [i.e. the arbitrary power of the state] and establishing its *creditworthiness*, that is, its ability to pay its debts" (Ingham, 2004: 143, my italic).

The notion of 'state creditworthiness' once again reasserts the (rather orthodox) truth that the state is essentially an *economic* agency which, like all other agents participating in the (global) economy, has to demonstrate the value (and validity) of its economic obligations in order to finance and, hence, 'reproduce' itself. In particular, says Ingham (2008: 77)

> The state's creditors have to be satisfied, first, that state debt and the subsequent supply of money will not produce inflation and thereby erode the value of the fixed-interest investment in state bonds. Second, creditors have to be convinced that state revenue (taxation, customs duties, etc.) will be adequate for the service of interest payments. Consequently, governments attempt to establish their creditworthiness by conventions of 'sound finance' in order to secure the sale of their debt.

Hence, from a 'global' or 'systemic' perspective, the state's *formal* power to impose a tax and 'deficit spend', de facto conferring the highest degree of acceptability qua liquidity to its IOUs within its sovereign domain, can only be understood as dependent upon the state's *substantial* ability to honour its 'high-powered' promises held not only by its citizens via bank intermediation, but especially by transnational capitalist 'rentiers' (Polanyi's Haute Finance) and foreign powers via financial and money markets. As a matter of fact, "the money market", not the government, "is the 'headquarters' of capitalism" (Ingham, 2004: 202).

But does this mean that the orthodox were right all along, and namely that the value of money is delivered ultimately by the market? Ingham ingeniously dodges this critical question by redirecting the attention towards the key-role played by 'monetary authorities' in the international management/governance of the money structure (Ingham, 2004: 144-

150). It must be pointed out in this respect that the hierarchy of money described by Ingham is not a structure of liabilities ‘internal’ to the sovereign jurisdiction of the state, but an ‘international’ network of debt relations that cuts across states; here access to money by all economic agents (including states) “is determined by an assessment of creditworthiness […] that includes a calculation of the degree of risk of default” (Ingham, 2004: 137).

> [T]he credibility of money is now based *exclusively* on the credibility of promises to pay. The institutional fact of money is now no more than this credibility, as it is established by the rules and conventions [i.e. the governance by the ‘monetary authorities’] that frame and legitimize the acts of borrowing and lending by all the agents in the monetary system (Ingham, 2004: 136).

The subtle shift of focus from the ‘acceptability’ to the ‘credibility’ of the money-promise operated by Ingham is of paramount importance for the purpose of upholding the primacy of both the state and the money account vis-à-vis the market and the medium of exchange, and is therefore essential to preserve the ideological *coherence* of Ingham’s theory at large. In fact, credibility is conferred by the accountability of the monetary authorities and, in particular, by the governance of the monetary standard. However, the focus on credibility also puts on a disgraceful path of conceptual (epistemological and methodological) *inconsistency* Ingham’s sociology as a whole.

To begin with, the shift from acceptability to credibility mirrors a drift of sovereignty away from the state and in the direction of the ‘monetary authorities’, i.e. central banks (which are not really state agencies). Indeed, “[i]t is the role of the central bank to establish *credibility* in an invariant monetary standard in relation to the *creditworthiness* of [state] fiscal policy and practice” (Ingham, 2004: 145). Central banks, in particular, are said to be responsible for maintaining money’s credibility – what Ingham (2004: 144; 2008: 78) calls (quoting Mirowski) “the working fiction of an invariant monetary standard of abstract value” – by controlling its socially and politically constructed ‘scarcity’ (Ingham, 2004: 198) via (long-term) interest rate management and inflation-targeting ‘sound money’ policies. That is to say, together with states, central banks

> must establish credible inflation credentials in order to sustain the creditworthiness that enables them to raise finance for spending by selling government bonds to the money market. In other words, the government must convince holders of this government debt that the value of their investment will not be eroded by inflation (Ingham, 2008: 78).

Notably, the governance of the monetary standard by the monetary authorities does not involve any manipulation of the money of account per se (e.g. the Dollar unit of account) but the management of money's purchasing power (e.g. what a one dollar note can buy). What is at stake here is not to measure value(s) but to scale prices, and namely set the effort against which all other efforts ought to be priced in a solid, predictable, 'sound' fashion. And this, of course, applies principally to economic obligations.

Economic theory, in particular, plays a crucial, *performative* role (Ingham, 2004: 198) in the construction of the working fiction of *stable* money. Indeed, in the effort to ensure credibility, what contemporary central banks actually do is "attempting to establish a transparent procedural correctness that is assessed according to the agreed organizational arrangements and the current macro-economic thinking" (Ingham, 2004: 148). The basic aim of this 'transparent procedural correctness' is to depoliticize monetary policy (Ingham, 2004: 146): that is, to turn pro-rentier *politics* of inflation targeting into normal monetary *policies* and, possibly, let them appear as a *natural* condition of monetary governance. To this purpose, monetary authorities "are engaged in the creation of an 'epistemic community' of understanding based on theoretical economic knowledge and routine practice" (Ingham, 2004: 146), committed to convincing the markets as well as persuading the public about the desirability and rightness of central bank politics and, hence, about the credibility/stability of the value of the monetary standard (Ingham, 2004: 148-9).

Of course other agencies are involved in the 'impression management' of the performance of stable money (Ingham, 2004: 148): such is the case of credit rating agencies (Ingham, 2008: 79). Yet, at any rate the central bank remains the principal infrastructural fulcrum upon which the class struggle over the value of money is fought. However, *pace* Ingham, this struggle seems to be no longer compatible with the Weberian 'battle of man with man'; quite the contrary, the argument that money's credibility is a

matter of faith (qua persuasion) ultimately *performed* by authority-sponsored economic theory (via epistemic communities of academics, policy-makers and financial practitioners) invites us to think of the value of money as the product of a 'battle of ideas'. This is not the place to begin a critique of the 'performativity' approach in social sciences (as for instance in Muniesa, 2010; Henriksen, 2009); however, I will limit myself to suggesting, in the wake of Konings (2010b), that arguments based on the 'performance' metaphor tend to be overly-deterministic as "actors appear to be largely unreflective, primarily motivated by discursive structures or impulses and performing meanings in whose emergence they had little 'agency'" (Konings, 2010b: 63).

In Ingham's case, in particular, the performance metaphor is employed to re-state once again the primacy of the authority (this time the *monetary* authority in the vest of the 'independent' central bank) in the establishment of the measure of value (this time the invariant monetary *standard* rather than the money of account) and, in turn, to uphold the primacy of the measure of value vis-à-vis all other monetary functions in the construction of the 'stable' value of money. However, on a closer look, we can see how the value of money is not actually conferred by state sovereignty (via taxation), or by the central bank's 'procedural correctness' for that matter, but is a function of debtor credibility/creditworthiness before the market (actually, before the syndicate of creditors). As a matter of fact, the 'authority' that is supposed to write and enforce the dictionary must persuade the market (which more and more looks like the real authority) to trust its promises in order to be able to finance itself and survive in a global world whose needs and desires 'can largely be explained in terms of supply and demand'. Acceptation of the promise, rather than credibility per se, remains a key to understand how money gets its value; however, who or what is to accept the promise in the last instance, de facto setting the *standard* – i.e. the *price* – for the effort all other agents must endure in order to acquire the scarce good 'money', is not the state or the government, as Ingham holds, but 'market investors', 'international creditors', 'financial rentiers': that is, all those agents who actually issue the money – i.e. produce claims 'against all the world' – upon the state 'security' that governments will (literally) *service* their interest.

Conclusions

Ingham’s sociology is torn between an *ideology* (rather than a proper *ontology*) of money as the measure of value and an underlying understanding of money as value (qua claim). These two contrasting conceptualisations of the phenomenon are forced to co-exist in a fragile epistemological arrangement (of a constructivist-structuralist type) whereby the discontinuity between the nominal and the real side of money is ultimately filled by the metaphysical agencies of the authority, the collective intentionality, and last but not least, ‘performativity’. This evidently goes to the detriment of Ingham’s professed methodological project of money as a social relation.

In particular, we can evince the failure of Ingham’s relational methodology by simply looking at the emphasis he places on the structural relationship occurring between the metaphysical agencies of state, market and central bank – as if these entities were not institutional infrastructures but actual agents. The reification of monetary institutions into some “infrastructural social power” (Ingham, 2004: 132) is symptomatic of an underlying positivist understanding of the phenomenon as a whole. Money is indeed said to be *autonomous* (Ingham, 2000: 34), a ‘norm that obeys the norm it itself represents’ (Ingham, 2004: 74), hence *autoréférentielle* (Ingham, 2004: 64; 2006: 269), based on a ‘social mechanism’ that enables a ‘self-generating process’ (Ingham, 2004: 134; 2008: 71) – all in all, an institution possessed of an ‘infrastructural’ (systemic) rationality of its own.

It is perhaps not a coincidence that Ingham has chosen to call ‘the nature of money’ his major work on the subject. The obsession with the ‘nature’ of things is typical of positivism and, particularly in the field of social sciences, it often leads to the formulation of empty semantics – in this case, a (pseudo-ontological) semantics of money’s functions whose best example, *pace* Ingham, is possibly still Polanyi’s (1980: 170-198) – that are not complemented by any relevant semiotics of the thing-sign in question – in this case, a study of why and how people practically get to value a promise of payment as a means to store and transport value and, above all, as an icon of social power (see Konings, 2011b). The positivism of Ingham’s sociology clearly emerges the moment he tries to address the problem of the value of money. As a matter of fact, Ingham is unable to *explain* why and how concretely people experience money as a social power; rather, what he actually does is

to *justify* the existence of such a power by resorting to the *ad hoc* agency of some heteronomous force. That is to say, we find in Ingham no ontological problematisation of ‘money *as* value’ but only the sketch of a discourse on the ‘value of money’ that implicitly legitimises the mainstream overly-economic view that such a value corresponds in fact to the value of money’s purchasing power, i.e. its *price*, as *given/determined* in the last instance by the rather opaque rationality of market actors.

Perhaps Ingham should have paid more attention to the much underestimated ‘store of value’ function, instead of obsessively focusing on the money of account and the means of payment. In fact, as he himself admits, it is in the vest of the store of value that money “*makes possible the reproduction and continuity of economic life* in a complex, actually existing capitalist economy. In this role, money is anything but neutral” (Ingham, 2000: 21). In effect, as Keynes pointed out with his ‘liquidity preference’ hypothesis, it is the store of value and, hence, the possibility not just to commensurate and/or exchange things and services, but to *withdraw* purchasing power from the sphere of commercial circulation and productive investments to channel it in speculative qua redistributive operations, what truly characterises modern money and the capitalist system[15]. Significantly, this property of money “as a temporal transporter of abstract value” cannot be incorporated “into orthodox microeconomic analysis” (Ingham, 2000: 21). The great limit of orthodox monetary theory, in other words, consists in its incapacity to “specify why money, as opposed to any other functionally alternative asset, performs as an *intergenerational store of value* (Ingham, 2000: 21, my italic). Ingham’s own explanation of the store of value, however, is largely defective; allegedly, money is a store of value because the state issues it by fiat and then accepts it for tax settlement; secondarily, the ‘stable’ value of money (that we may take as a proxy of the store of value function) is the product of an authority-engendered performance, a working fiction contrived by the agencies concerned with the governance/regulation of money’s production. But why is it, in practice, that money is able to carry value through space and time, and hence connect present and future in a meaningful way that, quoting Keynes, “lulls our disquietude” (Ingham, 2004: 72)?

[15] In different ways, American ‘old institutionalist’ thinkers John Commons and Thorstein Veblen reached similar conclusions. For Commons (1924) the specificity of capitalism consisted in the institution of intangible property, that is, property that can be withdrawn from others to serve as a lever of control and redistribution of resources by financial means. Similarly, Veblen (1921) argued that sabotage (i.e. the exercise of the power not to produce) is the actual business of modern captains of finance and engineers of the price system.

Calculation, says Ingham, is a key to understand the nature of modern money, and this was clear to Weber. "In a Weberian social theory of value, calculability in money terms (stable money) of the capitalist economy is the result of the underlying predictability of the clash of interests in which money is a weapon" (Ingham, 2004: 203); that is to say, "the complex struggles *between* and *within* and *across* the two sectors of the economy [i.e. creditors and debtors] determine the production of money *and* its value" (Ingham, 2004: 202-3). However, the type of calculability described by Ingham is rather different from the one hinted at by Weber. For Ingham calculability is synonym with 'countability' and 'money of account': "commodities, such as precious metals, became money because they were 'counted' by those who 'counted'" (Ingham, 2000: 22); "[i]t is rather 'countability' that transforms the 'commodity' (*qua* convenient medium of exchange) into 'money'"(Ingham, 2000: 25). However, if we are to agree with Weber that "'[t]he most important fact of all' about money 'is the possibility of monetary calculation'" (Ingham, 2006: 270), then it is important that we make clear that such a calculability has nothing to do with abstract *accounting*. On the contrary, the type of calculation by means of which debts are monetised in a capitalist economy is bank *discounting*.

The fundamental difference between accounting and discounting is that the former has to do with enumerating (via synchronic commensuration) the total quantity of existing assets and thus denominating their exchange ratios in relation to each other; the latter, on the contrary, is concerned with assessing the price of present assets in 'diachronic' relation to their prospective, future value (see Nitzan and Bichler, 2009; Amato and Fantacci, 2012). In other words, *discounting assesses the potential value of an asset and produces the price that accounting will account for*. Discounting is the reason why money lulls our disquietude; why it is "a social technology for connecting present and future" (Ingham, 2004: 72). Most importantly, bank discounting is why the modern capitalist system appears as a self-generating, relatively autonomous process (Ingham, 2004: 108; 2008: 71) based on (quoting Bloch) "delaying payments and settlements and consistently making these deferrals overlap one another" (Ingham, 2004: 140) – eventually, why capitalism is (again, quoting Bloch) "a regime that would collapse if everyone paid his debts" (Ingham, 2004: 108). Bank discounting in fact entails the indefinite substitutability of promises of payment by instituting a relation of *liquidity* between credit (qua capital) and money (qua capital) via interest (rate). This is why a debt, in a regime of bank discounting, may become

"purchasing power, or rather *purchasing potential* that can remain indefinitely in the state of potentiality" (Amato and Fantacci, 2012: 37, my italic) – why, in turn, modern fiat money is able to serve as a store of value.

Crucially, under a regime of bank discounting, the phenomenon of liquidity becomes the primary locus for understanding processes of monetisation, because it is in virtue of market liquidity that modern monetary systems are able to ensure the "unconditional transformability of money into *credit* or, if you prefer, of money into capital. And vice versa" (Amato and Fantacci, 2012: 40). It is because of liquidity that "all forms of money *are* social relations and consequently, for example, the conventional textbook distinction between 'money' and 'credit' is not merely anachronistic, but is based on a conceptual confusion" (Ingham, 1996: 510).

The moment we take into considerations liquidity-engendering processes of monetisation (based on bank discounting),

> 'capitalism' begins to take shape not as a slightly antiquated synonym for 'market economy', but as that particular form of market economy in which even money is a commodity. This entails a change not only in the meaning of 'money' – which ceases to be a simple means of payment at the service of exchange and lending – but also in the meaning of 'commodity' and 'market' (Amato and Fantacci, 2012: 40).

Admittedly, Ingham's ideological discourse on the primacy of both money of account and authority in the making of modern money wants to offset the orthodox predominant dogma that money is a product of the market finalised to the optimisation of exchange, and show that on the contrary money is the product of a political struggle, a vehicle of sovereignty and an instrument of governance of social relations. This said, it is important to recognise for the sake of our understanding of money that 'commodity', 'market', 'liquidity' are key-notions, much more than the 'money of account' (which at any rate appears more and more conceptually indistinguishable from the Walrasian *numéraire* so dear to mainstream economics). Instead of underestimating their significance, we must politicise these notions, and show for instance how commodity-money is in fact 'capital' and hence a 'productive factor'; how the market is not where demand and supply freely meet but a "network of mutual coercion" (Fried, 1998: 50); how liquidity requires *market making*, and in particular

the coordinated promotion by financial operators of secondary markets (see Konings, 2011a).

The ontological primacy of the money of account is in fact a spectacular case of *post hoc ergo propter hoc* fallacy. If we apply Aristotle's 'four causes', we can see how the money of account (commensurability) will only be an *efficient cause* of money, that is, an institutional factor *external to* money which allows the process of monetisation to get under way (we can call it a 'precondition'). However, it is not abstract accounting but bank discounting what practically enables the monetisation of social relations. Bank discounting will accordingly be the *formal cause*, i.e. the *forming activity* which is the *internal* cause of the development, of money (see Bohm, 1980: 15-7). Debt or, more specifically, *social property relations* (hence power struggles) will constitute the *material cause* of money.

We are left with the *final cause*. According to both the orthodox and heterodox traditions indistinctly, the *end* of money is to be a *means* for the commensuration and exchange of goods and services and for the payment of debts. However, the theoretically neglected store of value function shows that money can purposely fail to apply these 'functions' and be withdrawn for reasons of pure speculation, redistribution, power. *As a norm*, those who actually produce money (via debt discounting), and namely banks, are in fact concerned with profit, and namely with getting more money by charging debtors with a supplementary fee, called interest. In other words, *they have an interest in making money*. In the course of this research work, I will thus try to explain why the *final cause* of money is neither commensurability (the measure of value), nor exchangeability (the medium of exchange) or redeemability (the means of payment), but *money itself*. That is, I will show that money is by design (by *telos*) 'that which is worth pursuing in itself', and accordingly outline a comprehensive discourse of money *as* value.

CHAPTER 2

Another dogma is (not) possible: money and the state

Heterodox economics I

"The idea that a debtor, and particularly the State or Government finding itself in that position, could claim to *discharge a debt by merely declaring what should be regarded as discharging it* is surely very odd. A debt has not been discharged by a *declaration* that it has been paid – it can only be discharged by paying it. If the State or others have "discharged" it by legal fiction it has not been paid – it has been abrogated. It is a peculiar use of language – a form of double-talk – to suggest that a promise can be kept by another promise to keep it at a later date in an infinite progress of promises: such promises have not been kept. Their fulfilment has only been postponed. If a promise to repay a debt is postponed, the debt remains undischarged for the time being. It is true that a further debt may be voluntarily *accepted*, in lieu of the repayment of the original debt, but this is not the *fulfilment* of a contract but the making of a new one. If this is brought about by compulsion, we are back to the position that the debt has, in effect, not been honoured" (Frankel, 1977: 45-6).

[R]ight from the inception of money, from ancient down to modern times, the state has a powerful, though not omnipotent, role to play in the development of money. Yet neither ancient money nor, despite Sir Stafford Crisp's view, to the contrary, even the Bank of England, is a mere creature of the state (Davies, 2002 [1994]: 26).

'Heterodoxy' in the field of monetary studies *is* to all intents and purposes post-Keynesian economics (*pace* neo-Keynesianism and the 'new neoclassical synthesis', *sic*). Like any receptacle of heresies worthy of its name, post-Keynesian economics is source of heterogeneous and even contradictory theories and approaches, such as endogenous theory (split between a structuralist approach and an accommodationist-horizontalist one), circuitism (with its Italian, French, Canadian branches), and neo-chartalism (with its emerging sub-schools). Each of these theories blends together in a unique fashion the

thoughts of radical thinkers such as Marx (see Graziani, 2003; de Brunhoff and Foley, 2006; Realfonso; 2006), Knapp (Tcherneva, 2006; Wray, 1998), Kalecki (Arestis and Sawyer, 2006), but also Schumpeter and Schmitt (Rossi, 2006; Gnos, 2006). Significantly, despite their diverging theoretical outcomes and policy implications, all these approaches share a similar epistemological attitude, legacy of Keynes: the understanding of money as a non-neutral, i.e. *performative*, factor in the economic process. Such an epistemology is often referred to as *monetary nominalism* or *monetary analysis* (see previous chapter), in contrast to the *real analysis* of orthodox theory (see Lau and Smithin, 2002: 6).

The difference between these two conflicting traditions is that, unlike nominalism, real analysis excludes money from the analysis of the 'productive' factors of the economy and thus relegates it to the 'unproductive' (speculative) epiphenomenal dimension of a finance that merely 'reflects', perhaps in a distorted fashion, 'the real economy'[16]. And so, whereas the orthodox moves its analysis from an *ab origine* negation of the role played by money to finally dismiss the performative character of finance-based redistributive processes (money is here simply the *medium*), the heterodox starts with money to end with finance (here 'the medium is the message', that is, the *claim*). In this respect, heterodox economics can be rightly said to be *the* science of money whereas mainstream economics does everything to debunk the significance and the power of money. This said, not only mainstream economics but also heterodox economics poses serious limits to a thorough *understanding* of the money phenomenon (though I convene that heterodox economics certainly marks an important step ahead). Both remain indeed highly dogmatic, abstract, unable to account for the historical specificity, the social contextuality and, especially, the *political* dimension of the money phenomenon (i.e. why money is a social power). In a nutshell, they are both illustrative of a positivist understanding of money that fails to recognise the significance of money *as* value.

I will begin my critical account of money and heterodox economics by focusing first on neo-chartalism. This for two interrelated reasons: first, because neo-chartalism has exerted the largest influence on Ingham's understanding of money as debt, and accordingly represents a major source of insights for critical sociological perspectives on the phenomenon; second, because among the several schools of post-Keynesian economics, neo-chartalism is the only one which more directly engages with the question of money in

[16] On the epistemological (and political) significance of the real-nominal dichotomy see Nitzan and Bichler (2009).

relation to sovereignty, de facto opening a room for debating the political dimension of the phenomenon at large. Hopefully, in the course of my argumentation I will able to underscore the fundamental contradictions underpinning the neo-chartalist discourse on money, and how it misses its significance.

(Neo-)chartalism, or else 'taxes drive money'

The central ideas of chartalism are associated with the thought of the German historian and political economist Georg Friedrich Knapp. Knapp's fundamental work, *The state theory of money* (1924; original German edition, 1905), provided a powerful critique of metallism, the dominant monetary doctrine of his time. According to the metallist view, money was essentially a precious-metal commodity with a market-determined value serving as medium of exchange[17]. By contrast, Knapp sustained that the *differentia specifica* of a monetary economy lied in the fact that under such a regime debts could be discharged by 'engraved pieces' – either coins or notes – whose value or, to be more precise, *validity in units of value*, was not determined by the market but conferred by law, as exerted by the state authority. He thus defined money as a *chartal means of payment*: a ticket or token (from the Latin word *charta*) whose validity as a means of final debt settlement was proclaimed by the state (Knapp, 1924: 34-35).

In particular, Knapp made clear on many an occasion that the validity of money is always independent from the content of the pieces; it "is not bound to any material. It can occur with the most precious or the basest metals" (Knapp, 1924: 30). Instead, the validity of money "rests on a certain relation to the laws" (Knapp, 1924: 34). This, however, "is not to be interpreted in the narrower sense that [money's validity] is a creation of jurisprudence", i.e. of legal tender laws, "but in the larger sense that it is a creation of the legislative activity of the state, a creation of legislative policy" (Knapp, 1924: 40).

By "legislative activity of the state", Knapp practically meant *fiscal policy* and, thus, the state's sovereign power to tax its subjects. Crucially, he also added in this respect that "[i]t is not the issue, but the *acceptation*, as we call it, which is decisive. State acceptation delimits the monetary system. By the expression 'State-acceptation' is to be understood

[17] Metallism was in effect an ideological derivation of the 'catallactic' theory of money – i.e. "money is a creature of the market" – provided by classical, Marxian and neo-classical political economy (see Lau and Smithin, 2002: 6).

only the acceptance at State pay offices where the State is the recipient" (Knapp, 1924: 95). In other words, for Knapp 'state money' was not necessarily what the state issued *de iure* but corresponded to what the state accepted *de facto* for final tax settlements.

One of the early advocates of chartalism was John Maynard Keynes (Ingham, 2004: 50). In his *Treatise on Money* (1930), the British economist pointed out that it was the state or the community, not the market, what was responsible for establishing the unit of value – called money-of-account – as well as the thing that served as means of payment – termed money-proper (see previous chapter). As later proponents of neo-chartalism are often eager to quote, according to Keynes (1930: 5), the state

> comes in first of all as the authority of law which enforces the payment of the thing which corresponds to the name or description of the contract. But it comes in doubly when, in addition, it claims the right to determine, and declare what thing corresponds to the name, and to vary its declaration from time to time – when, that is to say, it claims the right to re-edit the dictionary. This right is claimed by all modern States and has been so claimed for some four thousand years at least. It is when this stage of the evolution of Money has been reached that Knapp's Chartalism – the doctrine that money is peculiarly a creation of the State – is fully realised. […] [T]he Age of Chartalist or State Money was reached when the State claimed the right to declare what thing should answer as money to the current money-of-account – *when it claimed the right not only to enforce the dictionary but also to write the dictionary*. To-day, all civilized money is, beyond the possibility of dispute, chartalist.

On the wake of Keynes, many heterodox theorists have come to recognise the importance of the state authority in the institution of money. Minsky, for instance, argued that "everyone can create money [but] the problem is to get it accepted" (Bell, 2001: 150), and held that "in an economy where government debt is a major asset on the books of the deposit-issuing banks, the fact that taxes need to be paid gives value to the money of the economy"[18] (Wray, 1998: 35). Similarly, advocates of the 'horizontalist endogenous approach' have acknowledged that even though the state cannot control the money supply, it nevertheless retains the ability to define it by exogenously setting the interest rate (see next chapter). Circuitist theorists, building on Schumpeter's views, are said to have reached

[18] To be sure, Minsky (1977: 141) understood money "as an asset, with a particular yield, carrying costs, and liquidity characteristics". In other words, what was central to his notion of money was not state acceptability for tax payment (i.e. money as a state-enforced debt), but liquidity (i.e. money as a market-driven commodity).

similar conclusions (Wray, 1998: 34).

A theory of the sovereign currency

The basic idea of chartalism is that *the state drives money by exerting its sovereign power to tax*. This belief is today upheld by the neo-chartalist school, also dubbed 'tax-driven money approach' or 'modern money theory' (MMT) (see Tcherneva, 2006: 70; Wray, 2012b). Notably, neo-chartalism is not a theory of money but a theory of the *sovereign currency* (which, I shall argue in the course of my work, is not the same as *money*). Indeed neo-chartalist analyses generally focus on the operations of contemporary sovereign currencies inconvertible into gold or any foreign currency through fixed exchange rates (Wray, 1998; Tcherneva, 2006) – namely, post-Bretton Woods currencies operating "on the basis of high-powered money (HPM) systems" and floating exchange rates (Tcherneva, 2006: 77).

High-powered money, also known in mainstream jargon as base money, is a non-convertible, non-interest-earning promise (IOU) made by the state: it is the promise that the state will acknowledge the validity of its own promise (indeed a rather self-referential promise) and therefore accept it back at state pay offices for final tax settlement. Such a self-redemptive promise, made at will by the government, corresponds to what most economists today call 'fiat money', that is, money issued by decree, 'out of nothing', 'out of thin air', 'with a keystroke'. Fiat money in fact seems to be 'backed' by nothing more than sheer state power, and in this sense the making of such a promise seems to cost nothing to the government (this appears to be even truer since the breakdown of the Bretton Woods regime and the rise of inconvertible currencies in the 1970s). Quite simply, the government decides to sign a bill in which it is written I Owe You This Much and This Much is what you actually get: magically, the *promise of payment* made by the issuer becomes *means of payment* for the bearer. The citizens are thus *appeased* by the mere promise of redemption, and *nothing more*.

Technically, fiat money is the same as the 'currency' for it includes cash (coins and banknotes) and, preponderantly, bank reserves (private bank accounts at the central bank). Notably, in the contemporary money systems, the currency is normally *withdrawn* from circulation proper, and only serves as a *reserve* of capital – the ultimate security, or store of

value held by the banking system as a whole – transferable in the last instance for intra-bank settlements. By contrast, in the everyday economy private agents carry out their transactions with bank money, which consequently dominates the money supply; and yet, we shall see, bank money is only a *leverage* of the currency. That is to say, banks are today in the exclusive position to thesaurise and handle high-powered money and thus enjoy the privilege to act as intermediaries of purchasing power between the 'public sector' (the state) and the 'private sector' (everybody else).

Now, argue neo-chartalists, though as a matter of fact all contracts carried by private parties other than banks are routinely settled with bank money (which at present constitutes the great bulk of the money supply of any economy whatsoever), state money remains the *decisive* money of the system, because bank money ought to be ultimately converted into bank *reserves* for final tax settlement. This is why neo-chartalists claim that fiat money is 'high-powered'; that its "value stems from the powers of the money-issuing authority" (Tcherneva, 2006: 75-77; Bell, 2001: 151-4); that "money cannot exist *until* [state] acceptance has occurred" (Bell, 2001: 151): because the state has the power to choose 'that which is necessary to pay taxes' (Wray, 1998: 4).

In particular, this "power to impose a tax debt on its subjects" (Wray and Timoigne, 2006: 9) is a *conditio sine qua non* for money's existence because it provides a rationale not only for its *formal validity* (from now on 'Knappian validity' or, simply, 'validity'), i.e. its *de facto* and, normally, also *de iure* legal tender status, but also for its *substantive validity*, i.e. its price (see previous chapter). Indeed, "by imposing a tax liability […] the government can, if it chooses to do so, dictate the terms on which currency can be obtained (that is, the effort required to obtain it) (Wray, 1998: 4). And so, in virtue of the tax prerogative, the government enjoys an exclusive economic power vis-à-vis the private sector: it can indeed finance its institutional reproduction *in its own pecuniary terms*. Here lies the magic or, perhaps, the *illusion* of the promise of payment serving as means of final payment: a debt appears as being discharged by the state declaration that it has been effectively redeemed via tax settlement, even though such a debt is never really paid off, nor are people ever redeemed once and for all, because the state holds the power to set up an "infinite progress" of promises (see Frankel, 1977: 45-6) that indefinitely procrastinate the day of reckoning and final redemption ('the rendering of accounts'). Such a state of affairs has been formally sanctioned in 1971 when the US dollar was finally declared

inconvertible, de facto entailing a passage to an international ‘floating exchange rate regime’ with no promise of final redemption (Wray, 2012b: 150).

Therefore, beside its *formal* (Knappian) power to set the pecuniary terms for all economic transactions – i.e. to *name* what *counts* as a means of final payment, or else to establish the de facto legal tender – taxation is especially significant because it *creates a demand for (fiat) money* in the economy. That is, taxation determines the *substantive* value qua price of money. As Tcherneva (2006: 77-78) sums up, “[t]axation today functions to create demand for state currencies in order for the money-issuing authority to purchase requisite goods and services from the private sector”. Significantly, the private sector *needs* the state money because otherwise it would not be able to earn an income and hence save, spend, and, especially, pay the taxes. “For the private sector, spending is indeed restricted by its capacity to earn revenue or to borrow” (Tcherneva, 2006: 78). The same, however, cannot be said of the state (qua public sector) which, we have seen, can finance its expenditures in its own money (Tcherneva, 2006: 78).

As a result, “[t]he government does not ‘need’ the ‘public’s money’ [i.e. private sector’s money] in order to spend; rather, the public [i.e. private sector] needs the ‘government’s money’ in order to pay taxes” (Wray, 1998: ix). This is very important because it means that technically “there are *no financial constraints to government spending*...If the government wants to spend more, it can do so by creating more money and then absorbing that money by raising taxes. Alternatively, and equivalently, it can leave nominal taxes and money creation alone and lower the price it offers for the goods it buys” (Mehrling, 2000: 399, my italic). Spending and taxes are, literally, two sides of the same coin, for the government spends by crediting bank reserves and taxes by debiting bank reserves with the same fiat money (Wray, 2012b: 111).

The proposition that “there are no financial constraints to government deficit spending” is possibly the key-tenet of neo-chartalism (Mehrling, 2000: 399). According to this thesis, the state is alpha and omega, the source of the flux (via spending) and reflux (via taxation) of money. Crucially, “[o]nce this is understood, it becomes clear that neither taxes nor government bonds ‘finance’ government spending” (Wray, 1998: ix) because the government is in the unique condition to ‘self-redeem’ itself, so to speak, *by simply drawing a check on itself*. Accordingly, the government does not need to tax or borrow from the private sector to get the money. “Instead, taxes are required to give value to

money**,** while bond sales are a part of monetary or interest rate policy" (Wray, 1998: ix). As I will explain later in detail, neo-chartalists conceptualise both taxes and bonds as instruments of monetary governance that is intended to set the price/effort that all economic agents (other than the state) must endure to obtain money.

The puzzle of deficit spending

Admittedly, the neo-chartalist notion of 'deficit spending' may throw the reader into confusion. In fact, by deficit spending one normally understands state 'debt financing' carried through the systematic sale of bonds, which *does* imply the financial constraint of creditors' willingness to buy bonds. Even governments are often deluded to "believe that they must sell bonds to borrow the funds necessary to financing spending. However, this is an illusion, as *the spending must come first*" (Wray, 1998: 85, my italic). That is to say, *deficit spending is logically prior and historically anterior to bond sales*. In particular, say neo-chartalists, in order to 'deficit spend', the state ought to simply credit bank reserves 'by fiat' with its self-redeeming, non-interest-earning IOU. What's more important, the issue of such a financial liability by the state, computed as Public Debt (or National Debt), involves *uno actu* the creation of *net* financial wealth for society. Put crudely, *deficits create financial wealth* or, as Wray says, "it takes two to tango", meaning that "[n]o matter how much others might want to accumulate financial wealth, they will not be able to do so unless someone is willing to deficit spend" (Wray, 2012b: 9).

And so, from the neo-chartalist perspective, fiat money remains intrinsically Janus-faced because it represents at once a debt for the state and a financial asset for society as a whole. To those who might reply to this point that the state does not really oppose society in the same way as assets juxtapose liabilities in a bookkeeping entry, but is rather an emanation of it, so that liabilities of the state (qua public sector) are in effect liabilities of its aggregate taxpayers (qua private sector), neo-chartalists will answer that as a matter of fact the Public Debt doesn't really matter since deficit spending is fully discretionary, and the state is always in the condition to self-redeem itself, that is, roll over its debts by making more promises, new promises *ad infinitum*. And so, why care about a debt that is not meant to be actually paid but is only supposed to remind us, as a sword of Damocles, that we are all forever indebted with the authority that provides the means of our social and

institutional reproduction?

Leaving aside the logical fallacy of ‘infinite regress’ underlying the idea of an ‘infinite progress’ of promises, we face another conundrum. Though bond sales and deficit spending equally go to build up the Public Debt, they tell completely different stories. First of all, unlike fiat money, bonds are not required, nor do they aim, to gather the funds necessary to finance the institutional reproduction of the state. Quite the contrary, bond sales are the *par excellence* instrument of a monetary governance that *through* the conscious management of the public debt is able to substitute “an interest-earning government liability for non-interest-earning government fiat money” (Wray, 1998: 86). By doing so, the government (via the treasury or the central bank) is able to drain excess reserves and allow “the central bank to hit its interest rate target” (Wray, 1998: 2; 86), so as to set the proper *price* of fiat money. Put crudely, bond sales are necessary to manage the price of fiat money in a bank-based money system, but are not required to create fiat money in the first instance (because money creation is accomplished via deficit spending). And so, whereas deficit spending is assumed to be part of a fully discretionary fiscal policy, bond sales are seen as integral to a largely non-discretionary monetary policy that aims at accommodating the banking system’s demand(s) for fiat money (I will discuss these issues in detail in the next chapter).

Now, this analytical distinction between deficit spending and bond sales calls for some basic questions: to begin with, if both fiat money and government bonds are computed in the numbers of the Public Debt, as it seems to be the case, then what actually differentiates them in analytical terms? Is fiat money merely a debt that pays no interest and, vice versa, is the government bond simply money that pays interest? If so, can the government bond be *leveraged* like a currency by the banking system and hence progressively *substitute* fiat money as a bank reserve of capital, in a peculiar version of Gresham’s law whereby ‘bad’ interest-bearing money drives out (from bank reserves at large) ‘good’ interest-free currency? In this case, what would be left of state discretion in fiscal policy once bank reserves of fiat money have been so shrunk – i.e. once fiat money has been largely substituted by interest-earning debt in a process of *securitisation* – that in fact the money supply is no longer based on the security of fiat money but on that, more profitable, of treasury bonds? Also, if fiat money is essentially an obligation, does it mean that it can be normally bought and sold, and exchanged with other IOUs, like any other financial

commodity? Again, in what consists the difference between (fiat) money and (public) debt? If it's only a matter of *interest*, how does such an interest come about in the first place?

We know that according to the entire post-Keynesian tradition 'money' and 'debt' enjoy a distinction of degree but not one of kind, since both entities are held together in a relation of liquidity. Accordingly, it is analytically hard (and possibly useless) to set boundaries between currency, money, public debt and private credit, and it is equally impossible to carry on an ontology of any of these notions per se. In this respect, for instance, Anderson (1917: 460) pointed out that "[c]redit is really a part of the system of economic value relations not easily marked off in economic nature from the rest. Its clearest *differentiae* are juridical rather than economic". That is to say, although from a *formal* point of view bonds are liabilities while stocks are assets, *substantially*, "as an economic matter, they both represent the alienation of control" (Anderson, 1917: 460). In other words, stocks and bonds equally represent ownership of legal rights. To be sure, the same can be said of money, for in the vest of purchasing power it serves as a *right against all the world* (see Fox, 2008). What is truly at stake is therefore not to simply define money, but to make sense of what holds modern money together with all other financial entities: namely, *what institutes money in relation to the ownership of debts and credits*.

This *quid*, I contend, can be grasped only by making sense of the modern institution of *liquidity*. Regrettably, by conflating the notion of money with that of debt – money *is* debt, they say – neo-chartalists seem to have missed the significance of the *relation of liquidity* that holds together, and at the same time differentiates, modern money, debt and credit. This notwithstanding, we can get a clue of the genesis of this relation from neo-chartalism's very own account of the fiscal origin of money.

The logic of the fiscal origin of money

Wray (2012a) argues that the heterodox tradition of economics, and hence neo-chartalists, reject the type of *formalist* methodology adopted by orthodox economists which focuses on abstract individual (utility-maximising) rationality and critically relies "on an approach identified as 'hypothetical, logical'" (Wray, 2012a: 5). Yet, ironically, Wray's own story of the fiscal origin of money is based on "a simple, hypothetical 'model' [that is meant] to demonstrate the logical basis" (Wray, 1998: 155) of his theory. The model assumes at the

beginning “a very simple economy in which household are self-sufficient, using neither markets, nor money” (Wray, 1998: 155). At any rate, the story of the fiscal origin of money begins with a *deus ex machina – in the beginning was the State, and the State was with Taxation* – whose authority (qua taxing power) is conferred by a heretonomous (perhaps foreign) entity (Mehrling, 2000).

> A government is formed which would like to undertake several needed projects for the benefit of the population. This requires that the government obtain labour services and raw materials from the population, so it imposes a per capita tax of $1 per week. It realizes, of course, that the population has no dollars with which to pay the tax, so it must at the same time define what is to be done to obtain dollars, and ensure that the dollars become available. The government prints a fiat (dollar) money, used to buy goods and services from the population, thereby providing the dollars required to pay taxes. It is clear to the government that the tax liability induces the population to provide goods and services in exchange for the dollars; the population needs the money provided by the government in order to pay taxes, while the government does not need the tax revenue in order to spend. Thus the government uses taxes only to draw forth a supply of goods and services (Wray, 1998: 155-6).

Initially, it is assumed that the government plans to run a balanced budget, since “[a]t the aggregate level, the maximum the government can hope to collect in the form of taxes is exactly equal to its purchases of goods and services. In other words, the ‘best’ the government can plan to do is to run a balanced budget; there is no hope of running a surplus because the government cannot possibly collect more than the income it has created as it paid out dollars” (Wray, 1998: 156).

However, the government soon finds “that some individuals who have been recipient of government spending in excess of their own individual tax liabilities have hoarded some extra dollars; the government also finds that some of the dollars are simply unaccounted for, and presumably have been lost” (Wray, 1998: 156). As a consequence, the government is obliged to run a deficit to cover all ‘leakages’ of dollars (hoarding plus loss) so that in the end “*a persistent deficit is the expected norm...Indeed, the deficit could merely be seen as a measure of the population’s desire to ‘net nominal save’ in the form of money*” (Wray, 1998: 156, my italic).

As it has been already pointed out, deficit spending enables income. But now we learn

that deficit spending is arithmetically and conceptually *equivalent to* savings (see Mehrling, 2000: 399), and this for a simple reason: "[g]overnment spending supplies high-powered money to the population. If the private sector wishes to hoard some of it – a normal condition of the system – deficits necessarily result as a matter of accounting logic" (Tcherneva, 2006: 78). As a result, *a chronic public deficit will represent the normal condition of the monetary economy as long as fiat money will be hoarded (as a store of value) in excess of the tax liability.* Critically, it must be pointed out that a *substantial* deficit spending can only be sustained in consequence of the population's desire to hoard and/or hide (perhaps *offshore*?) the currency for reasons other than the mere imperative to discharge a tax obligation, because otherwise the population would find little or no incentives to save in excess of their liability to the state.

This is precisely what the model implies. In fact, assuming that people do hoard (or hide, lose) fiat money for accidental reasons, each year the government must spend a bit more than it taxes, to allow the hoarding as well as the dispersal of some dollars without consequences for the stability of its financial operations. Now, as it has been already stressed, according to neo-chartalism *there are no financial constraints to deficit spending*, i.e. the government is always free to spend. However, it is crucial to bear in mind in this respect that the choice of how much to spend in relation to the level of taxation is never accidental but always pondered. Indeed, "[g]iven a tax liability, if the government tries to increase spending 'too much', then it might find that beyond some point the public refuses to supply goods and services in exchange for dollars. That is, after paying taxes, losing some dollars, and accumulating as many dollars as desired in hoards, the public would refuse to accept any more dollars" (Wray, 1998: 158). In other words, though there are no financial constraints, *there exists nonetheless a real constraint to deficit spending,* as exemplified by the presence of a "saturation point" (Wray, 1998: 158) determined by supply and demand: "[b]efore that point [is] reached, the government would find queues of individuals showing up to offer goods and services to obtain dollars; beyond that point, the government would find no queue" (Wray, 1998: 158). The existence of a saturation point means one thing: it is not the state that decides the volume of deficit spending (the *quantity* of fiat money issued) but, on the contrary, the market-driven demand for fiat money to determine its supply via deficit spending.

This real constraint to fiscal policy, however, is allegedly neutralised by the state

capacity to set the effort required to obtain the currency. “If”, for instance, “the government holds the tax liability constant, but announces it will pay twice as many units of currency to obtain the same amount of goods, services and assets, it should not be surprised to find that its money has become ‘less valuable’” Wray, 1998: 5). In short, though there exists a saturation point, the government is always in the condition to outflank this real constraint and manage supply and demand by setting the *price* of money. In a final analysis, it is always taxes that ought to drive money and hence the market, and not vice versa.

In this respect, it is worth noting that despite the emphasis on the primacy of the state, neo-chartalists argue that their model possesses a *catallactic* character: that is, it is able to account for a theory of market exchange (Peacock, 2004). First, the model assumes that taxes make money universally acceptable as a general medium of exchange, even for those who are exempt from tax payment, because taxpayers will still offer goods and services in the effort to obtain dollars and discharge their obligation with the state (Wray, 1998: 162). Second, it argues that households with insufficient income to meet the tax obligation are compelled to “engage in private market activity to try to earn the needed fiat money to pay taxes” (Wray, 1998: 162); that is to say, they are bound to become subject to the *imperative* to capitalise their property, including the property of their own labour power, in order to sell it in the market.

Now, it must be said that, given these premises, the catallaxy of neo-chartalism remains quite limited. In fact, according to the model, the size of a hypothetical private market will be directly proportionate to the number of surplus households willing to cede their idle money – i.e. savings – in exchange for produce and services from deficit households: the greater the number of households with excess income, the greater the possibility for extending the scope of a market for private transactions and, also, for the emergence of forms of bank intermediation. However, to be considerable, the catallactic *momentum* ought to be propelled by the private sector’s *desire to hoard money* (which, it’s been argued, gets structurally saturated once the tax liability is met). Neo-chartalists underscore this aspect, and seem to take for granted the population’s desire to save money; for them, the fact that fiat money may serve as a store of value is merely a by-product of its Knappian validity for final tax settlements. Yet, as Wray’s model suggests, once households have acquired enough fiat money to pay their taxes and a saturation point is reached, their demand for it (hence, their willingness to make an effort to obtain it) will

start to drop drastically; as a result of this real constraint, at the aggregate level we cannot expect a volume of savings sufficient to establish a considerable private market, because *no one will find 'real' incentives to seek money in excess of the tax liability*. This means that *in order to stimulate savings (and hence the use of fiat money as a store of value), something other than the mere imperative to pay taxes must be in place, or else the market would stay in the germinal state of a very small retail and labour market at the margin of an elephantiac state economy.*

What then creates a 'structural' incentive to store money in excess of the tax liability? What can be taken to make sense of the modern capitalist economy (and its financial markets) that is not accounted for by the mere logic of taxes-drive-money (-and-hence-the-market)? A way to tackle this issue is to look at how interest-earning lending comes about in the neo-chartalist account. Wray suggests that the institution of interest can be introduced in its model in at least three ways. First, "the government might offer to lend dollars at interest to households that are temporarily short of them in order that they might meet tax liabilities" (Wray, 1998: 160); in fact, adds Wray (without providing much evidence), "the first loans seem to have been public loans to provide deficient households with the means to pay taxes" (Wray, 1998: 163). Second, "households with excess dollars might lend them to deficient households to pay taxes, and charge interest" (Wray, 1998: 162). This practice would be at the basis of private banking. Third, "the government may wish to encourage saving through payment of interest on savings" (Wray, 1998: 163) by issuing government bonds.

Regrettably, Wray does not really explore the first way – the emergence of public lending – and considers the second one – the emergence of (intra)private lending – as temporally and, somehow, logically subsequent to the issue of government bonds, de facto opting for the third way – the emergence of the interest-bearing Public Debt – as his preferred hypothesis for the origin of interest-bearing lending. Hence he suggests that the government begins to sell bonds that pay interest to households with dollar hoards *to encourage savings* or, perhaps, because people may prefer to buy bonds rather than paying taxes (Merhling, 2000). This seem to solve the puzzle of what actually drives the 'store of value' function, for now it can be consistently argued that *people may wish to save money in excess of the tax liability in order to buy bonds.*

Notably, bonds should be seen as "nothing more than an interest-earning currency"

(Wray, 1998: 167). Significantly, as for the price of fiat money, the price of such a peculiar currency too is fully discretionary and depends on what the government wants to achieve with it:

> The higher the interest rate offered by the government, the more bonds it might be able to sell (all else equal) by inducing households to part with dollars. On the other hand, a low interest rate might convince households to hold more dollars and fewer bonds. Note that the government does not have to pay higher interest rates to finance its deficit, rather, it chooses exogenously what interest rate to offer – households will prefer any positive interest rate over the zero interest rate on dollars, but higher rates might encourage households to convert more dollars to bonds. *In any case, bond sales are not required to finance a deficit, but rather are the means through which the government provides an interest-earning asset to the public, and thus more dollar income to the public* (Wray, 1998: 161, my italic).

This is consonant with the neo-chartalist thesis that the (interest-bearing) Public Debt does not arise out of the state's fiscal necessity, nor is it imposed at any rate by the market, but is entirely contingent upon the agency of the state in monetary affairs: "[t]he market cannot dictate to the government what interest rate it should pay; the market will be happy to obtain any positive interest rate – but even if the market doesn't want interest, *this is no problem as the government does not need to sell bonds*" (Wray, 1998: 161, my italic). However, the very fact that bond sales are not necessary to finance the state's deficit but are, at least initially, a discretionary policy aimed at stimulating savings and hence, aimed at empowering the state power to deficit spend, strongly suggest that either taxes alone are not enough to drive money (via deficit spending), or the institution of the government bond is *an accidental historical development* whose rationale is not fully ascribable to the taxes-drive-money logic but lies somewhere else.

The neglected significance of the government bond

Something doesn't add up in the above account of the origins and purposes of the government bond. According to Ingham (2004: 143), neo-chartalists have indeed missed the *political* significance of the institution of the government bond, because they see the latter in *functional* terms, as an instrument of monetary governance (it is not a coincidence

that neo-chartalists champion Lerner's 'functional finance' approach), and do not seem to realise that state spending, taxes and bond sales are the product of political struggles that are fought *through* the state, not *by* the state and its representatives. In this session, however, I will argue more radically that not only have neo-chartalists missed the *political* significance of the government bond, but they have also misunderstood its *economic* significance. In fact, the institution of the government bond drastically changes the 'nature' of both money and the economy in ways that are not accounted for by their model (even though we can infer some of these modalities from it). Let's see why.

Before the emergence of Interests on the Public Debt (that is, before bond sales), the type of fiat money issued by the state is effectively a *chartal* means of payment, consonant with the basic tenets of the theory: it is a token denominated in the authoritatively established money of account, good for tax discharge, generally demanded also in private debt settlements, and possibly catallactic (to a limited degree). Once again, it is important to emphasize that people do not seek fiat money as a store of value per se, but only to meet their tax liability, and even if the currency circulates in private (market) transactions, the population's demand for it is bound to drop as soon as the tax liability is met by the aggregate private sector. Things, however, drastically change after the consolidation of bond sales, to the extent that fiat money turns into something radically different from, and possibly in opposition to, the chartal means of payment. Indeed we witness a shift from money as a *public means* to money as a *private end*. In particular, the moment the government decides to issue interest-earning securities to encourage savings, it implicitly begins promoting the use of money as a store of value, and namely as a thing that not necessarily ought to be circulated and spent for the sake of the public good, but which can be hoarded (deposited in banks, and/or invested in securities easily convertible into interest-earning currency) for the sake of one's own profitability. In other words, following the possibly accidental and unnecessary emergence of the government bond the currency finally shows its *modern* features as a *financial asset* (rather than a chartal liability) and, hence, as a *commodity*.

Crucially, the possibility for money-holders to substitute their interest-free currency with an interest-earning currency entails the institution of a *relation of liquidity* between fiat money and the government bond which is applicable in principle to all IOUs, including private ones (see previous chapter). In other words, in virtue of this instituted

substitutability, money looses its peculiar status (granted by fiat) as the exclusive means of final redemption and becomes part (apex) of a *hierarchy* of negotiable debts that can be more or less readily converted into decisive money for final tax settlement. Eventually, since it can be now inter-changed (via *discounting*) with all other (public as well as private) promises with varying degrees of credibility (and maturity), fiat money starts circulating widely, and even wildly, but this time it is no longer the *means* (the 'wheel') of commerce, but the very *aim* of trade, causing the rise of credit and financial markets. In other words, following the consolidation of bond sales and the institution of liquidity, circulation (and hence catallaxy) is no longer motivated by reasons of collective redeemability (i.e. to pay taxes), nor does it directly serve the empowerment of the state and, possibly, of society as a whole; on the contrary, circulation acquires a *speculative* character, as money transactions can be now carried out – literally – in view of one's own *interest*, as against the background of available market opportunities for interest-earning securities.

Pace neo-chartalism, it is this type of circulation whereby money becomes the *end* of exchange and thus a commodity, and not the one in which money is the *means* of payment, what truly characterises the *modern* (capitalist) monetary economy. This casts a substantial doubt on the neo-chartalist understanding of money, according to which three propositions are always true: first, "money buys goods [i.e. commodities] and goods buy money, but goods do not buy goods"; second, "money is always debt; it cannot be a commodity from the first proposition because if it were that would mean that a particular good is buying goods"; third, "default on debt is possible, which means that creditworthiness matters. Not all money things are created equal" (Wray, 2012b: 264; 2010). And yet, we have seen that once a relation of liquidity is established between interest-free money and interest-bearing debt, things get mixed up, so that money buys debt and debt buys money in the same way as commodities are exchanged for commodities. In effect, if money *is* debt, as neo-chartalists argue, then, following the institution of interest-bearing obligations, debt *is* a commodity, and so is money.

Notably, the speculative motif driving this growing commerce of debts is enhanced upon the possibility to w*ithdraw* money from circulation for an indefinite time (with the purpose to invest it in securities or hold it in bank deposit). It is only now – once the ownership of money has been made *exclusive* and unavailable *at a systemic level* by surplus households (i.e. aggregate creditors) unless deficit households (i.e. aggregate

debtors) are ready to pay a fee (i.e. an interest) on top of the tax liability for its use & enjoyment; once, in short, money has assumed the intangible character of private property qua financial asset that can and *must be withdrawn* from circulations for profitable reasons – that money can finally serve as 'purchasing power' or, better, *purchasing potential* (see previous chapter). In particular, the private sector now holds the power to choose whether to spend or save, and subsequently commands the options to either invest money in securities or keep it liquid. These new possibilities de facto compromise the autonomy of fiscal policy, because now the government has to deal with a 'structural' *accumulation* of the currency by the private sector – in the form of a pool of liquidity – occurring for reasons that go beyond the imperative to pay taxes. And so, we shall see below, quite paradoxically, as the unintended consequence of the institution of liquidity (as driven by bond sales), the government soon finds itself in the troublesome condition to be forced to *accommodate* the reasons/demands coming from the private sector, de facto parting with much of its autonomy in monetary affairs in favour of the banking system.

In this respect, it is worth noting that Wray himself suggests that the government bond is possibly the major factor in the stabilisation of (bank-intermediated) private lending, which is in turn at the origins of the state (momentary) loss of control over liquidity vis-à-vis the market (according to neo-chartalists a form of state control is indeed regained when the central bank is established). He thus argues that private lending arises when "[t]he deficient household...issue[s] a liability denominated in the fiat-money-of-account to be held by the household with excessive income in return for a loan of dollars used to meet the tax liability of the deficient household" (Wray, 1998: 163), and he also adds that "*[t]he interest rate on this loan will be some mark-up over the government's bond rate* to compensate the private lender for the change of default by the borrower and also to compensate the lender for the 'insecurity' of parting with dollars" (Wray, 1998: 163, my italic). This means that, though the practice of private lending might have existed before the institutionalisation of bond sales, the consolidation of a (banking) system of intermediation was strongly favoured by the presence of the institutional mark-up of the bond's interest rate: indeed, by anchoring the price of its private credit to the government prime rate of interest, the household with a large hoard of currency was able to assess with more *certainty* the credit risk – i.e. it was able to *securitize* its credit risk by discounting the debtor's IOU on the stable basis of the bond rate – and it could consequently specialize in

private lending.

Notably, the neo-chartalist account of the origins of private banking does not substantially differ from the goldsmith parable of mainstream textbooks, “except that it is government-issued currency rather than gold that people deposit in the bank to get the thing started” (Mehrling, 2000: 400). As the story tells, once private lending is established, soon enough bank IOUs start circulating alongside government fiat money in private markets upon the promise that they will be converted on demand in fiat money for tax final settlements (Wray, 1998: 163-4). At some point, banks learn how to accurately *leverage* fiat money in credit transactions and thus begin operating under a fractional reserve system (but in reality under a fractional reserve regime the currency is not leveraged at all, see chapter 3).

Let’s open a parenthesis here. It is important to point out that the peculiarity of fractional reserve banking lies in the asymmetrical time-structure of the bank balance sheet: here bank liabilities are indeed to be met in the short run on demand whereas bank credits, that is, bank assets, are only disposable in a longer run. In jargon, this means that reserves *fall short* of deposits. As a result, a bank operating on the basis of the fractional reserve mechanism is *at any point in time inherently bankrupt,* that is, illiquid. To be sure, structural illiquidity does not necessarily prevent banks from being *solvent* over a predictable, ‘ergodic’ time (see Davidson, 2006: 143), since assets are bound to match liabilities *ceteris paribus*. However, there is always “a danger that depositors will demand more fiat dollars than the banker has on hand” (Wray, 1998: 163). And so, to avoid the risk of a generalised bank run and a chain reaction of bank failures, interbank arrangements are finally devised by the creditor community. These arrangements mainly consist in bank ‘giro’ networks, cheque clearing and, especially, the development of an interbank market for fiat money reserves (Wray, 1998: 1664). Altogether, these innovations are bound to lead sooner or later to the establishment of a clearing house facility and the emergence of a modern banking system[19].

[19] “Banks could develop an interbank market for fiat money reserves; these would allow reserves to ‘reflux’ back to individual banks suffering a clearing drain to other banks in the system. Banks with excess reserves could lend them short-term to banks with insufficient reserves, leading to development of a short-term, or overnight, lending rate. This rate, in turn, would be determined relative to the rate at which the government loaned fiat money, and to the rate paid by government on the bond it issued. Banks could also try to induce households to part with hoards of fiat money by offering interest-earning deposits...Eventually, most of the reserves of the banks would be nothing more than credits on the books of money centre banks, with actual dollars held only by the central clearing bank (except for small reserves of dollars held at individual banks for daily withdrawals). These reserves would be ‘pyramided’ on the central clearing bank” (Wray, 1998: 164-5).

Significantly, now that banks of deposit cooperate via the central clearing house and interbank credit facilities, they are able to stop runs on banks in an organized fashion: *the solvency risk is thus shifted from the individual bank to the bank community as a whole*. This, however, obviates neither the danger of insolvency nor, especially, the problem of structural illiquidity, because even though the central clearing bank is "able to stop runs on individual banks by lending reserves as necessary…its ability to stop a systemic run might be constrained by its dollar reserves [i.e. an inherent lack of currency]" (Wray, 1998: 165). After all, the central clearing bank can only operate a centralised redistribution of reserves so as to rationalise bank requirements, but it is not able to autonomously issue fiat money to meet all bank liabilities at once. And so, "[a]fter a number of disruptive crises", it is likely that the government realize that

> one solution would be to take over the functions of the central clearing bank, establishing a government central bank that would run the national clearing system, operate as a lender of last resort to provide dollars as necessary to halt systemic runs, and perhaps regulate financial practices – for example, it might require some minimum required reserve ratio. In addition, the central bank might offer to run a 'discount window', lending reserves against bank assets (Wray, 1998: 165).

The establishment of a 'government central bank' allegedly re-establishes the primacy of the state over the banking sector in the creation of money. The government can now supply money at will in two ways: "directly through government purchases of bonds from the banking system or by lending reserves to banks, and indirectly through government purchases of goods and services from households, or through government purchases of bonds from households" (Wray, 1998: 165). This supremacy in monetary affairs, however, is only illusory, for in the age of central banking the state must adapt to the new developments introduced by banking in order to survive. In particular, the state via the central bank must supply reserves on banks' demand, de facto *accommodating* private banks' capital requirements necessary to underpin the volume of pending liabilities held against the private sector (Wray, 1998; Tcherneva, 2006: 80): "The central bank never has controlled, nor could it ever control, the quantity of money; neither it can control the quantity of reserves in a discretionary manner" (Wray, 1998: 98). In other words, unlike

the government's fiscal prerogative, the central bank's monetary policy is from the start non-autonomous, non-arbitrary, subject to the whims of the credit market.

And so, neo-chartalists are obliged to recognise that in a modern capitalist economy the money supply can no longer be considered as a mere function of the *exogenous* state agency, as it was in the hypothetical beginning of the 'simple economy', but it comes to rely on the bank-intermediated *endogenous* demand for credit. Under such circumstances, the government's capacity to manage monetary aggregates via the central bank will shrink to the extent that "*it will have no discretionary control over the quantity of reserves held by the banking system*" (Wray, 1998: 166, my italic). As a result, despite formally remaining the only 'net' supplier of fiat money (but this is profoundly incorrect because the government does not supply fiat money: the central bank does) and retaining the right to 'write and enforce the dictionary' in virtue of its sovereign fiscal prerogative, as soon as it begins promoting the formation of a market for liquid securities by selling bonds, the modern state is destined to lose its absolute power over the currency and will *necessarily* end up accommodating the market, that is, promoting monetary policies with a view to bank profitability (see Wray, 1998: 104).

But what about fiscal policy? Neo-chartalists repeat time and again that although monetary policy is accommodative, fiscal policy remains at any rate arbitrary and autonomous. Even under a regime of fractional reserve banking, the government can still spend (this time via the central bank) in the same way it used to spend before the advent of modern banking: that is, by simply drawing a check on itself. This time, however, with an important difference: for now when it draws a check it also ought to promise to pay an interest to creditors if it wants to retain a lever of control over monetary aggregates in the short term, drain excess reserves and hit the interest rate target. Ironically, the state ought to sell bonds in order to put a check on the pool of liquidity whose growth bond sales were responsible for in the first place. In this respect, neo-chartalists argue that debt service (the repayment of Interests on the Public Debt) is not a problem because the government can always make new promises to substitute the old ones and, by doing so, it can indefinitely reschedule its debt repayment. As Wray (2012b: 70) put it quite naively, "government spends using keystrokes, or electronic entries, on balance sheets. There is no technical or operational limit to its ability to do that. So long as there are keyboard keys to stroke, government can stroke them to produce interest payments credited to balance sheets".

However, even if we are to agree on the point that the public debt can be *technically* or *operationally* sustainable *ad infinitum*, there remains a more important question: is it so *politically*? For here lies the real problem: even though the government can effectively make promises *ad infinitum* to its citizens, what is left of its autonomy if it ought to make these promises in order to *accommodate* the banking system's demands? What if banks demand less deficit spending (which may be deemed to be inflationary and pro-debtor) and more pro-creditor austerity? What if they want less Public Debt and, by converse, more Household and Corporate Debt, whose interests are normally higher than the ones paid on government bonds? Finally, there is also a conceptual problem: provided that the public debt ought to go to systematically alimenting bank liquidity, so that both deficit spending and bond sales become in effect by-products of an all-encompassing credit policy, on what ground can we still so confidently distinguish between respectively fiscal and monetary policy and sustain that the former is discretionary whereas the latter is not?

Chartal money is not possible

The neo-chartalist understanding of money is very much reminiscent of Ingham's own: both are torn by a dual ontology as they are equally incapable of making sense of the contradiction between money as a means/measure of value and money as value. Like Ingham, neo-chartalists also profess the ontological primacy of the money of account (see Tcherneva, 2006: 70; Tymoigne and Wray, 2006; Wray, 2012a: 8) but then they mostly focus their analyses on money as debt or, more precisely, on money as a promise of payment serving as a chartal means of payment. This focus on the *means* goes to the detriment of an understanding of the *end*, i.e. the store of value. Significantly, neo-chartalists claim that theirs is a theory of the sovereign currency, i.e. a theory of fiat money, not simply a credit theory. However, they conflate their notion of fiat money with that of debt: in fact, not only is bank money essentially a debt, but also fiat money is understood as nothing but a liability of the state. This creates an underlying ambiguity as to whether modern money is actually 'fiat' or 'credit' (see Mehrling, 2000), or perhaps both.

In this respect, neo-chartalists crucially emphasise that unlike a normal obligation, fiat money "costs no real resources to produce and poses no financial burden because it is inconvertible" (Mehrling, 2000: 401). The same is said to be true for the government bond

as long as it is payable in fiat money. As a result, modern money is ultimately a *debt-money by fiat* because it is originally created by deficit spending and is finally destroyed by taxation and, above all, because the government – differently from all other debtors – can always 'deficit spend' regardless of the amount of its debt. However, we have seen in this chapter that, critically, the institution of a substitutability/liquidity between fiat money and the government bond dramatically changes the nature of fiat money and, more generally, of debt, as it turns the former into the most liquid of all interest-bearing debts.

In other words, from being a *liability* and a *token* of our symbolic indebtedness to the state (it is 'symbolic' because allegedly the public debt is never meant to be paid off but only to remind us forever and ever of our tax obligation), following the consolidation of bond sales money becomes a financial *asset* and a *commodity*, subject to the whims of financial (credit, money) markets. Reciprocally, debts of any sort become an object and a primary *objective* of a highly speculative commerce, to the point that they can even turn into interest-yielding assets against which more money is issued, in a bank-driven process of securitisation. And so, following the introduction of bond sales, the entire structure of debt-relations articulating the sovereign economy is melted up, liquefied, turned into a boundless (transnational) ocean of financial opportunities possibly flowing offshore, and even if at the bottom of this ocean still lies the Leviathan (the state), what actually moves the creature of the Abyss is not simply a natural impulse or inclination (a *conatus* to tax), but an insatiable appetite (ultimately, an interest on the public debt).

Crucially, debts in all forms – and especially fiat money and bank money – are now held together in a hierarchy of acceptability/liquidity. The institution of liquidity, however, does not merely denote the construction of a sovereign monetary *space* in which IOUs can be *synchronically* substituted with one another (depending on one's own liquidity preference); more importantly, *liquidity connotes the construction of a historically-specific 'time of redemption'*. That is to say, the pyramid/hierarchy of debts is not simply representative of a given 'social structure' of credit-debt relations (as for Ingham and neo-chartalists) but, more specifically, it is the manifestation of an enormous "time-structure" where the longs and shorts of monetised debts are interrelated with each other *diachronically*, in a way that indefinitely procrastinates the closing of all accounts – *the redeeming of the time*. Here nothing is 'given', stable, for everything ought to move in a regime of *radical uncertainty* 'that would collapse if everyone paid its debts', sentencing everybody to *certain death* (if

not physical, a social and economic death).

Yet such a matrix of prospective values is able to “lull our disquietude” because it is based on an illusive calculus (bank discounting) which is nonetheless very appealing, as it is made in view of particular *interests*. And so, in the modern money economy, even though men are not able to assess the risks for the entire collectivity (and the future generations) that would ensue from their daily actions, they are nonetheless in the condition to pursue in a rather predictable fashion their own interest whilst weaving their particular plots (stories) of social relations. Crucially, the type of interest that men pursue in such an economy is very different from the egotistic and pre-constituted (i.e. pre-political and a-historical) economic interest that moves the timeless utility-maximising individual of orthodox economics. On the contrary, this interest is socially constructed within the financial praxis: it is a *political* interest whose *ratio* (and rationality) lies neither in the individual *agency* nor in the systemic *structure*, but in the social property relation (of credit-debt).

And so, after a critical reading of neo-chartalism, it appears that it is not fiat money per se, as an emanation of a metaphysical agency, but interest-bearing debt, and therefore *the social relation proper*, what actually provides the material cause for a *history* of modern money. That is to say, it is interest on the public debt, not the tax liability per se, what actually institutes fiat money *historically* as a form of *private property* on the basis of which a ‘struggle’ or, more likely, a *negotiation* of purchasing power, can be effectively carried out. By contrast, there is nothing to fight about a fiat money – an Original Debt/Sin – that is universally *given* and *imposed* from above. The concept of chartal money – the ‘inconvertible interest-free currency’ of sovereign economies – is only a mystification of what modern money really is and what it does[20]. Modern money is not *designed* to serve as a means of payment and hence fulfil *final settlements*, but is constructed in a way as to defer final payments and hold back the end time of collective redemption through the mundane pursuit of one’s own interest.

However, more fundamentally, the notion of chartal money relies on an even deeper

[20] Curiously, neo-chartalists and, more generally, heterodox economists, keep saying that *money is not what money does* (see Wray, 2012a: 9), and yet what they do all the time is to tell us what money *is* (that orthodox economics has not told us), as if this could alone account for what money actually *does*. Or, alternatively, they tell us what money *does* but do not bother about explaining what this can reveal about its nature. In effect, the statement “money is not what money does”, like a white flag, seems to be waved by heterodox economics to symbolise a truce between ontology and analysis (methodology) of money, rather than a reconciliation of these two complementary moments of our understanding of the phenomenon.

mystification about what modern states are (with their formal and substantial differences) and what they do and have historically accomplished. Such a mystification begins to unravel the moment we introduce "real world complications" (Wray, 2003; Tymoigne and Wray, 2006: 12) in the neo-chartalist model. These complications, according to Wray, are basically two: "[f]irst, most payments in modern economies do not involve use of fiat money; indeed, even taxes are almost exclusively paid using bank money. Second, fiat money is not emitted into the economy solely through treasury [i.e. government] purchases of goods and services. In fact, the central bank supplies most of our currency" (Wray, 2003: 91). According to Wray, these real-world complications do not compromise the fundamental tenets of neo-chartalism. I dare disagree: *pace* neo-chartalism, the real world shows that money is *autonomously* produced not by the government but by the banking system (as I will argue in the next chapter, it is supplied by banks regardless of the volume of bank indebtedness that this will generate, *as if banks faced no financial constraint to their capacity to lend*); but most importantly, at the foundations of the sovereign currency is not the absolute power of the state to impose a debt on its subjects but a *negotiation of interests* occurring principally between the government and the banking system, *bound together* by a fundamental and ongoing relation – a *memorable alliance* whose (for)*bidden fruit* is the government bond – which is mediated by a public-private institutional infrastructure called 'central bank' (in this respect see also Gnos and Rochon, 2002; Rochon and Vernengo, 2003). I will discuss these issues in more detail in the next chapter, when I will introduce the reader to the post-Keynesian problematic of money's endogeneity.

In conclusion, the neo-chartalist model of taxes-drive-money shows a highly abstract and over-simplifying character; in particular, all its propositions are dependent upon the *ad hoc* premise that the state holds the undisputed (and unproblematised) power to tax. Sovereignty is hence taken for granted, whereas what is truly at stake is to understand how sovereignty gets constructed as from the financial praxis. Also, the model oversimplifies the theme of catallaxy, as it does not account for the emergence of financial and money markets – the headquarters of capitalism, according to Schumpeter – but only for the development of a marginal retail and labour market. Finally, the model is applicable only to sovereign economies, but we are not given to know the analytical basis for distinguishing between who or what is sovereign and who or what is not. At best, we are

told in a tautological fashion that if the government is able to impose an *unavoidable liability* and name its own pecuniary terms – i.e. what counts as the means of final tax settlement – then it is a sovereign government.

Critically, neo-chartalism completely misses the significance of the relationship between sovereign economy and offshore finance (see Palan, 1998; 2002; Burn, 1999): modern money is not simply 'that which is good for paying taxes' but relies on a series of institutional arrangements that altogether entail the *systematic evasion of taxes* for 'those who count' – those who actually hold (purchasing) power – who are indeed able to hoard & hide their *abnormal*[21], illegal and unearned incomes in the *bottomless sinks* of the offshore. More generally, neo-chartalism manifests the methodological limits of a naïve nationalism: the state is here conceptualised as the bearer of a unitary rationality, rather than as the institutional locus of a negotiation of powers by actual human agents (via political associations of any kind). In addition, the model presents a strong bias towards the U.S. case which, as neo-chartalists themselves admit, is quite an exceptional one since the United States are a 'sovereign' nation with an internationalised economy. And yet, though the U.S. exceptional case provides the main outlook for the neo-chartalist perspective, the international dimension of the monetised economy is merely added on top of an analysis which remains fundamentally state-centric. In particular, there is no reflection on the possibility that the institution of money could evolve in parallel with an *imperial*, rather than state-centric, economy (see for instance Hudson, 2003; Panitch and Konings, 2008). Perhaps, in order to grasp the international and, especially, transnational dimensions of the money phenomenon, it would be necessary to turn the attention on the role played by banking and, especially, by speculative finance (which is genetically transnational) in the making of modern money.

[21] The adjective 'abnormal' comes from the Latin word *abnormis* meaning 'deviating from the law'.

CHAPTER 3

Of truth and revelations: money, banking and finance

Heterodox economics II

I reflected that there is nothing less material than money, since any coin whatsoever (let us say a coin worth twenty centavos) is, strictly speaking, a repertory of possible futures. Money is abstract, I repeated, money is the future tense. It can be an evening in the suburbs, or music by Brahms; it can be maps, or chess, or coffee; it can be the words of Epictetus teaching us to despise gold; it is a Proteus more versatile than the one on the isle of Pharos (Borges, *The Zahir*)

What is a bank, and what it does? Any serious attempt to explain the money phenomenon should be able to provide also a sensible answer to this question. After all, leaving aside for a moment the question of who or what creates money in the first instance, no one can deny the fact that, once created, money is routinely managed not by the government but by banks (among which stands the central bank as a *primus inter pares*). Perhaps one of the best definitions of what a bank does is provided by the long-forgotten Scottish political economist Henry Dunning Macleod, who already in the mid-nineteenth century sustained that the business of a bank was not to lend other people's money, as it is commonly believed, but to create its own debts and sell them: "a banker is a trader whose business is to buy money and debts by creating other debts" (Macleod, 1883: 321).

To be sure, this patently goes against the orthodox view of banking. According to the latter, a bank doesn't create any fresh money as it only provides an *intermediation function* between savings and investments: it takes deposits from those who have a surplus of money and lends part of these funds to those who need money to meet their payments and/or start a business. Crucially, the bank lends in exchange for a fee, called *interest*, representing a *premium* the bank accrues for the risk it takes by making the (productive or consumptive) loan. From this perspective, the business of banking consists precisely in

making a profit from the difference of what is paid to depositor and what is received from the borrower by acting as a financial intermediary.

Notably, intermediation necessarily implies a *fractional reserve mechanism*, as banks do not lend their own funds but part of the money they keep in deposit, whilst retaining a sufficient quantity of reserves to meet reasonable demand. In effect, *financial (bank) intermediation and fractional reserve banking are two ways to describe the same phenomenon*. Now, as any textbook of economics will explain, under a regime of fractional reserve banking, even though bank liabilities and assets are bound to match each other *in the end*, meanwhile, in the daily economic praxis, the volume of money transactions far exceeds total income, and the quicker circulation of money makes it appear as if the total quantity of money was multiplied by bank intermediation. If, for instance, bank A keeps a 10 per cent reserve ratio, it lends the 90 per cent of the money held in deposit – e.g. if total deposits are £1000, it lends up to £900. The money lent by bank A will end up being deposited in bank B which in turn will keep £90 as reserves and lend £810 which will be deposited in bank C, and so on. As money circulates via bank intermediation, at the aggregate level an initial deposit of £1000 will cause an apparent increase of the money supply of a ten-fold magnitude, based on a 10 per cent fractional reserve ratio.

The wonder of intermediation is that even though no single bank can create money 'out of nothing', the banking system as a whole is able to stretch the total money supply with its intermediation – as economists say, it gives *elasticity* to the money supply. Significantly, the banking system is able to do so without necessarily endangering final payments, provided that it sets a proper reserve ratio in harmony with the growth rate of the economy. In effect the banking system is simply keeping the accounts of total assets and liabilities in the time-structure of its double-entry balance sheet. If a bank is found 'short' in deposits – with insufficient funds to meet its reserve requirements – some other bank part of the same fractional reserve system will be necessarily 'long': all is needed for fractional reserve banking to work smoothly is an interbank market for reserves in order to overcome frictional shortages of cash. And so, in the end bank intermediation increases the efficiency of monetary circulation by facilitating the equilibration of the supply and demand of money.

What's more important, in addition to intermediation (which is in effect a 'portfolio management'), fractional reserve banking may also provide a clearing facility to

economise on cash transactions; the latter may be indeed very costly, especially if by cash one means a 'hard currency' such as gold bullion and coinage. Fractional reserve banks may thus issue banknotes redeemable (in cash) on demand to overcome the costs of cash transactions. The possibility to introduce substitutes for cash – with all dangers deriving from *counterfeiting* – represents a major innovation brought about by bank intermediation. In this connection, it is not a coincidence that the concept of fractional reserve banking is introduced in textbooks of economics to explain the logical passage from metallic money (i.e. 'commodity money') to paper money (i.e. 'fiduciary money' or 'fiat money'). In particular, the mainstream account of the origins of modern fiduciary money is based on the *in*-famous story of the greedy London goldsmiths and their 'fake' gold certificates. This 'parable' is told over and over and has eventually ascended to the status of legend.

Briefly, during the English seventeenth century, in a time of political turmoil (that included civil wars, military campaigns, international conflicts, flows of colonisations in the New World, the overthrowing of the Crown, the constitution of the Commonwealth, the Cromwell interregnum, and the Glorious Revolution), the market for luxury jewellery in the City of London was particularly sluggish and goldsmiths had to reinvent their business. As legend has it, in exchange for a fee, goldsmiths began offering safe-keeping services to people fearing for the safety of their valuables. To certify what were essentially *bailment* contracts, goldsmiths issued gold certificates against all gold and valuable coins kept in their vaults. These certificates 'represented' to their respective bearers the ownership of the gold they had deposited. Now, because of goldsmiths' credibility and soundness, these certificates were considered 'as good as gold' and thus began circulating widely. In time, less and less holders of gold certificates demanded their conversion in gold and certificates became redeemable on demand 'to the bearer'; goldsmiths thus found a strong incentive to issue anonymous notes to the bearer in excess of their deposits: as a result, all their certificates of gold ownership became *de facto* promises of payment in gold on demand. In other words, goldsmiths began *leveraging* their gold reserves, and each of their banknotes was nothing but a claim against society, *a subtle borrowing from their customers*. Significantly, though these anonymous IOUs could not be honoured at once due to a structural lack of gold vis-à-vis the amount of claims on it, they kept circulating as a type of 'fiduciary money', as far as goldsmiths managed to sustain the illusion of their convertibility by means of a prudent management of their assets. It was the dawn of

modern banking.

Notably, the goldsmith parable is applied by mainstream economics also to explain the functioning of the contemporary banking system: quite simply, once the state, via the central bank, has monopolised the privilege to issue fiduciary money 'out of nothing', based on the illusion of its convertibility in gold, then all other banks, acting in concert, can increase the elasticity of the money supply on the basis of a fractional reserve mechanism, even though none of them is ever allowed to issue money *ex nihilo*. To be sure, following the abolition of the dollar convertibility into gold and the collapse of the Bretton Woods's monetary order in the 1970s, this story has lost much of its appeal; however, its basic logic, and in particular the concept of fractional reserve banking, still holds a grip on the contemporary imaginary of finance and banking. This is for instance the case of neo-chartalism which, it has been argued in the previous chapter, proposes a history of modern money and banking that at any rate follows the script of the orthodox account, the only difference being 'the end': here the value of modern (fiat) money does not stem from the possibility of its convertibility into gold, but is a consequence of state acceptation for final tax settlement.

Now, the reader will excuse my harshness, but this entire story of fractional reserve banking and the rise of modern money has neither rhyme nor reason: it is a complete mystification of what modern banking is about and how modern money is actually created[22]. If anything, fractional reserve banking is exemplificative of everything modern banking and finance is not: namely, a *pre-modern* financial praxis. Indeed, as a rule of thumb, one should expect the presence of financial intermediation based on the principle of fractional reserve whenever in history paper instruments (including credits) have been found to displace some 'hard currency' as a means of payment and exchange, and this goes perhaps as far as late-third-millennium BC Mesopotamia (see Hudson and van de Mieroop, 2002). In this connection, recent scholarship has demonstrated that peoples were accustomed to the practice of fractional reserve banking already in classical antiquity (see for instance Harris, 2008: 187; Cohen, 1992), and that both financial intermediation and complex clearing systems for credits and debts were already at work well before the emergence of coinage (see Davies, 1994; Hudson and Wunsch, 2004). Yet, significantly, though the story of financial intermediation is likely to go back to the dawn of civilisations,

[22] For a more factually consistent account, see Davies, 1994; Fox, 1996; Werner, 2005; Knafo, 2008; 2013.

the same cannot be said of paper currency, as historical evidences show that the institutionalisation of a fiduciary currency only took place in relatively recent times (in this respect, much is yet to be done to reconstruct the history of far eastern finances and monies).

What I want to say is that financial intermediation per se is not necessarily bound to institute a paper currency; nor, especially, is the principle of fractional reserve banking enough to engender the creation of fiat money by simply 'counterfeiting' notes, as anarcho-libertarian accounts such as Rothbard's (1983) and De Soto's (2006) suggest. This is because the leveraging of *real assets* (among which a 'hard currency') through the *ex-nihilo* issue of fiduciary debt instruments might well degenerate into widespread inflation and, more generally, lead to financial instability involving bubbles and bursts. As I am going to argue in the following, inexorably, a systematic leveraging of assets creates an *illusion of liquidity* that might even 'melt down' the economy, if not carefully handled. In this respect it must be also pointed out that, historically, even when the technical means of the time made a mass production of paper instruments possible (as from the late fifteenth century, following the printing press revolution), the leveraging of a 'hard currency' such as coinage still remained very hard to accomplish for a number of reasons: to name a most significant one, the value of coins was constantly subject to alteration by public authorities and private agents, and this made it impossible to calculate with precision solvency and liquidity risks stemming from their leveraging. This is why, throughout modern history, credit instruments have been able to substitute currencies only in restricted 'giro' communities, such as Renaissance credit networks of merchants and bankers (Boyer-Xambeau *et al*, 1991), but they have never been able to displace 'hard currency' as a general medium of exchange. This was true up until the mid-seventeenth century, when London goldsmiths found a sustainable way to provide liquidity, and thus marked with their credit innovations the beginnings of a new era for finance and banking. Their solution to the problem of liquidity, however, had nothing to do with fractional reserve banking and textbook intermediation.

The alchemy of modern banking

As Macleod clearly understood ahead of the times, modern bankers do not actually

intermediate. That is to say, if, hypothetically, a banker owns deposits for a sum of £10000 in cash (e.g. gold or specie), he does not retain £1000 to meet demands and lend £9000 at, say, a 4 per cent interest.

> It is commonly supposed that when a banker has the £9000 to trade with, he employs it in purchasing bills of exchange to that amount: and that he receives a profit only on the £9000: but that is a complete misconception of the nature of 'banking'. *A banker never buys bills with money in the first instance: that is the business of a bill discounter, or a bill broker.* The way in which a banker trades is this. He sees that £1000 in cash is sufficient to support liabilities of £10000 in credit: consequently, he argues that £10000 in cash will bear liabilities to several times that amount in credit" (Macleod, 1883: 325).

A banker, therefore, does not grant credit on the basis of a fractional reserve mechanism but *leverages* the funds it manages by over-issuing claims on them. That is to say, if its reserves amount to X, the banker makes loans and borrows others' capital by issuing IOUs for an amount equal to a positive magnitude of X. In short, the banker issues money 'out of nothing' by lending what he doesn't have (yet), de facto infringing a most basic legal principle passed on by Roman law: *nemo dat quod non habet* (Fox, 1996: 547). Indeed, when we borrow money, we are all acting as *bona fide purchasers for value without notice*[23] (see Fox, 1996; 2008: 19). In this respect, says Werner (2005: 175), the term 'lending' is misleading: "banks do not lend money, they create it". Leverage is the true principle of modern *seigneurage*.

Crucially, in order for leverage to be viable, bank reserves must meet two requirements: first, they must be obviously highly liquid, that is, readily marketable titles of private property; second, they must provide a store of stable value (or else a calculus of sustainable leveraging would become impracticable). Now, in the case of London goldsmiths, reserves were provided by gold bullions and coins held in deposit[24]. It must be noted in this respect that goldsmiths brought together a number of different business activities: bailment services and money-changing on the one hand (ergo gold deposits) and merchant banking

[23] Briefly, in common law, a *bona fide* purchaser is someone who paid a full price for a valuable (i.e. money) in the belief that the vendor (i.e. the bank) had a right to sell it, an without any suspicious circumstances to put him on inquiry. Business as usual.

[24] It must be noted in this respect that, for historical reasons that cannot be discussed here, the English monarchies distinguished themselves for a politics of Sound Money that made the English pound the most stable currency in Europe, starting from the second half of the twelfth century with Henry II's reform (see Knafo, 2006; 2008; 2013).

on the other, the latter being a precursor not really of deposit banking (i.e. savings and loan banking), but of investment banking. Indeed the goldsmiths' financial praxis consisted essentially in a leveraging of reserves for purposes of investments and loans. *The genius of goldsmiths, in particular, consisted in leveraging their reserves through the discounting of bills of exchange*.

Technically, when a bank discounts a bill of exchange, it offers to buy from a trader in need of immediate liquidity a financial asset that has not yet come to maturity in exchange for a bank promise of payment, or banknote, which is readily convertible in cash (in the case of goldsmiths, it was normally convertible in gold after three months) and is therefore deemed to be highly liquid. In exchange for the service, the bank retains a fee, which is discounted from the face value of bill. As Macleod (1883: 325) pointed out, the banker

> buys the bill, which is debt payable at a future time, by giving his customer a credit in his books for the amount of the debt, less the discount: which is a right of action the customer has to demand the money if he chooses. That is, *he buys a right of action, payable at a future time, by creating or issuing a right of action, payable on demand* (my italic).

Discounting is essentially a way to construct the present value of an asset by means of a calculus of its prospective value that 'lulls our disquietude' (see chapter one). Significantly, the money created via discounting is radically different from the hard currency that it leverages: whereas the owner of gold coins or bullion physically possesses a property value, the owner of money only bears a generic *legal right* 'against all the world' of commodities and services. Hence, crucially, what money buys are not commodities and services but "legal control over commodities and services" (Commons, 1996: 333), and "legal control is future physical control" (Commons, 1996: 435): *it can be an evening in the suburbs, or music by Brahms.* Or, more prosaically, it can be a greater cash inflow.

And so, a hypothetical goldsmith banker who manages deposits for a sum of £10000 in cash may choose to leverage its assets by discounting bills of exchange for a face value of, say, £40000 at a discount rate of 4 per cent: he will thus grant *credit* payable on demand to traders in exchange for bills of exchange (i.e. promises or orders of payment) that will come due in the near future, normally three months. Since they are assumed to be self-liquidating, bills of exchange are automatically ascribed to the asset side of the banker's balance sheet, even though they are still effectively liabilities. By doing so, the goldsmith

banker does not gain four per cent on the £9000 in cash (i.e. £360), but four per cent on the £40000 (i.e. £1600) of bills he has bought by leveraging its reserves (Macleod, 1883: 326). In effect, the banker is lending £38400 to get £40000 in three months. The bank balance sheet will thus look as follows: assets corresponding to £10000 in reserves plus £40000 in near-to-maturity bills (total assets equal to £50000); liabilities corresponding to £10000 in deposit accounts plus £38400 circulating banknotes issued against bills (total liabilities equal to £48400); profit equal to £1600, based on an initial deposit of £10000. *Notably, through discounting the bank balance sheet gets constructed in a way that not only liabilities but also assets are essentially debts* (with the exception of 'hard' currency reserves). Stated differently, discounting turns debts into assets.

This type of banking is based on an 'asset management' of the bank's balance sheet structure (which, to be sure, has nothing to do with textbook 'portfolio management'): in short, a bank manages its assets (i.e. deposits and reserves) and thus rations its credit operations by discounting secure and self-liquidating financial titles. The conceptual foundation of this type of banking is the 'real bills' doctrine: the idea that a bank should only discount secure short-term debts arising from 'real' commercial transactions, such as bills of exchange. The latter are indeed promises or orders to pay a certain sum in exchange for goods and services that have been already produced in the past and whose value only waits to be *realised*. This reduces to a minimum the risks of leveraging insofar as *banks will borrow against a future which is bound to happen* when the commercial bills come due and the cash (or, alternatively, real assets) flows in the bank vaults.

Banks, however, may also leverage their reserves by discounting debt instruments that are not based on any 'real' transaction of goods and services: such is for instance the case of 'accommodation bills', commercial papers guaranteed (endorsed) by a credible third party. As Macleod (1883: 308) pointed out, "[t]he essential distinction between real and accommodation bills, is that one represents *past*, and the other *future* transactions. In a real bill goods *have been* purchased which are to meet the bill: in an accommodation bill goods *are to be* purchased which are to meet the bill". To be sure, in both cases discounting is still about calculating the present value of financial titles based on their prospective value – that is to say, at any rate "the profitable business of banking consists in buying up, or discounting, as it is technically termed, the present value of future profits" (Macleod, 1883: 314). However, whereas the future profit yielded by bills of exchange is based on a

knowledge of their history (as linked to past production) and is thus highly predictable (and most likely to be realised), the future profit promised by accommodating bills is based on an image of future production – a *projection* of the future political economy based on a complete *disregard of its past*[25] – and is consequently radically uncertain[26]. This makes accommodating bills and alike debt instruments inherently speculative, as they are essentially bets, that is, *stakes in the future*.

According to Macleod, the practice of discounting accommodation bills may be indeed very destabilising as it might give rise to a speculative frenzy that could even destroy the economy. His argument against accommodation bills and in favour of 'real bills' reveals an understanding of banking that most of its contemporaries lack:

> It is a very prevalent doctrine among men of business that real bills are essentially safe, because they are based upon real transactions, and always *represent* property. […] The whole misconception arises from an error in the meaning of the word *'represent'*. A bill of lading does […] *represent* goods; and whoever has the bill of lading has the property in some specified goods. But a bill of exchange does not represent any goods at all. *It represents nothing but debt; not even any specified money*" (Macleod, 1883: 306-7).

However,

> As real bills only arise out of the transfers of [actual] property, the number of them must be limited in the very nature of things. However bad and worthless they may be individually, they cannot be multiplies beyond a certain extent. There is therefore a limit to the calamities they cause. But accommodation bills are means devised to extract funds from bankers and speculate with; and consequently these speculations may be continued as long as these funds can be extracted (Macleod, 1883: 309).

In short, unlike bills of exchange, whose creation is limited by the amount of actual material property, i.e. 'property of the past', accommodation bills may be created indefinitely and for speculative reasons as 'checks drawn on the future', de facto entailing

[25] We cannot but note in this disregard of the past – of history – an analogy between the financial *mentalité* and much of modern technocratic thinking, which is concerned with prescribing our future by producing generalising models in complete abstraction from the particular vicissitudes of history.
[26] As Lorenzo il Magnifico of the De Medici banking dynasty once said in a famous canzone, *chi vuol esser lieto, sia: del domani non v'è certezza*.

the possibility of a 'boom and bust' cycle of credit:

> The drawer [of the accommodation bill] may be speculating in trade, and losing money every day, but his bills must be met: and there is no other way of doing it that by constantly creating fresh bills to meet the former ones. By these means the customer may extract indefinite sums from his banker, and give him, in exchange, so many pieces of paper. Now when discounts are low and times are prosperous, this system may go on for many years. But at last a crisis comes. The money market becomes "tight". Bankers not only raise the rate of discount, but they refuse to discount as freely as before: *they contract their issues.* The accommodation bills are in the bank and must be met. But if the banker refuses to discount fresh bills, they must be met in money. But all the property which the speculators may have had may have been lost twenty times over: and so, when the crisis comes, they have nothing to convert into money. Then comes the crash. Directly the banker refuses to meet his customer's bills by means of his own money, he wakes to the pleasant discovery that, in return for the money he has paid, he has got so many pieces of paper! (Macleod, 1883: 364)

Notably, the above-described process provides an archetypical account of a Minskyian cycle of credit (see Minsky, 1977; Nesvetailova, 2007; 2010; Dow, 2006: 41-42). Now, according to Macleod, whereas the drawer of the bill is moved by a speculative motive, the banker remains pretty much unaware of what is really going on, and discounts the bill *in good faith* – as a *bona fide* discounter, so to speak. But here lies the stake: irrespective of whether the bill-drawer will use the loaned funds for 'productive' or 'unproductive' purposes, this entire operation is *speculative* from the moment the banker chooses to discount the accommodation bill (or an alike debt) against a collateral which is not based on a 'real' security (about a profit to be realised against past transactions) but on a 'nominal' security (about a profit that will be realised upon performing future transactions). In this respect, it must be pointed out that the endorsement of the bill by a credible third party that allegedly disposes of 'own capital' (hence of a 'real' security that can be collateralised by the bank upon lending) might increase the security of the bill but is not in itself a necessary element. In discounting an accommodation bill, the bank only needs the surety of a collateral, be it real or nominal. To this purpose, the bank can make for instance a 'margin loan', whereby upon lending it collateralises a certain 'margin' of the total amount loaned, which is kept in a margin account as a security for the risk taken. In both

cases, by lending against collateral, the bank is primarily reassured by the fact that "[i]f the borrower cannot service the loan sufficiently, the bank can 'call' the loan by foreclosing on the borrower, who may lose the collateral (or more)" (Werner, 2005: 227). This type of bank credit, also known as 'asset-collateralising lending' is at the basis of modern speculative finance (see Werner, 2005; Heinsohn and Steiger, 2000; 2006; 2009).

Now, it is important to point out that speculation in itself is neither an evil nor a good: speculation simply *is*, like a 'magical mirror' that reflects the image of *a* future. What is seen in the this mirror is normally in accordance with what those who look in the mirror want to see the most – their *project* – based on what they *have drawn on the future* from their present condition. Not coincidentally, the word 'speculation' originates in the Latin word *speculum*, meaning 'mirror'. To be sure, the magic of the modern financial mirror is nothing but an illusion of liquidity created by the banking alchemy. And whenever the illusion vanishes, we can finally spot in the mirror what we have actually become *without knowing* (i.e. from an initial condition of radical uncertainty). Speculation may be thus responsible for financial bubbles that might bring the economy to its knees, but it can also engender a prodigious flourishing of the industry of a nation.

But what is more important to understand, speculation is never a 'nominal' reflection, or perhaps a distortion/refraction, of 'real' production. On the contrary, "speculation", says Macleod, "is the mother of production" (Macleod, 1883: 132). Capitalist production is in fact a radically uncertain, forward-looking process, not a backward-looking one (Nitzan and Bichler, 2000: 81), whereby the Schumpeterian entrepreneur first borrows and then sets up her business. Capitalism is about borrowing against the future, and in plain disregard of the past, despite the fact that by looking in the mirror the assumingly all-seeing eye of capitalism does not really see the future but the Angel of History[27].

Again, Macleod stands out in this respect for his insights ahead of the times, as he pointed out how crucial speculative finance had become for the sorts – the future – of

[27] In the ninth thesis of the essay *Theses on the Philosophy of History* (1940), Walter Benjamin writes: "A Klee painting named *Angelus Novus* shows an angel looking as though he is about to move away from something he is fixedly contemplating. His eyes are staring, his mouth is open, his wings are spread. This is how one pictures the angel of history. His face is turned toward the past. Where we perceive a chain of events, he sees one single catastrophe which keeps piling wreckage upon wreckage and hurls it in front of his feet. The angel would like to stay, awaken the dead, and make whole what has been smashed. But a storm is blowing from Paradise; it has got caught in his wings with such violence that the angel can no longer close them. The storm irresistibly propels him into the future to which his back is turned, while the pile of debris before him grows skyward. This storm is what we call progress".

society, and how fundamental bank credit was in *projecting* the peoples towards a future of either wellbeing or crisis. Despite warning about the risks stemming from discounting, he did not despise banking per se and was not an advocate of hard currency or 100 per cent fractional reserve bank money, as he saw the beneficial potential that modern banking could bring for the collectivity. He was accordingly very eager to distinguish between credit and credit, and between finance and finance. In particular, he condemned the specific speculative motives at the basis of English banking whilst praising the peculiarities of Scottish banking. The latter was indeed responsible for the institutionalisation of 'cash credits' (see Macleod, 1883: 341-351), that is, credits granted to entrepreneurs in view of future production, often subsidising agriculture and the "formation of public works" (ibid., 347). Macleod considered cash credits legitimate insofar as genuinely profitable, progressive and emancipatory for the entire collectivity[28]. For him money was primarily – ontologically – neither a commodity nor a credit, but a *right*, and accordingly *the use of money was equitable and legitimate only when money was granted as a right for production, as with cash credits, and not when it was traded as a commodity in view of purely speculative profits at the expenses of others and for purposes of mere control over things and, ultimately, over people.*

The *issue* of money – literally – is inherently connected to a question of social justice (which, as I am going to argue in chapter 5, is in turn always a question of *political* justice). As Mellor (2010: 27) puts it in very simple terms, "if new money can be created out of fresh air, like fresh air it should be seen as a resource available to everyone". In particular, following Macleod, money is 'good' (and is *a* good) only when, after being created 'out of nothing' for the sake of production and on the pledge of men's industry, honour and credibility, it can finally go back to the nothing where it properly belonged, allowing for the final settlements of debts. On the contrary, money becomes a dangerous power when it is employed for the buying and selling of debts, de facto alimenting a *spiral* of debts (by means of discounting) – n.b., not a mere *circulation* – to the detriment of a

[28] Writes Macleod: "The invention of cash credits had advanced the wealth of Scotland by centuries. Thus we have an enormous mass of exchangeable property created out of nothing by the mere will of the banks and its customers, which produces all the solid effects of gold and silver; and when it has done its work, it vanishes again into nothing, at the will of the same persons who called it into existence" (1883: 351). "[Scotland's] system of banking has been of infinitely greater service to her than mines of gold and silver. Her banking system has tended immensely to call forth every manly virtue: mines of the precious metals would, probably, have demoralised her people. In the character of her own people, in their steadiness, their industry, their honour, Scotland has found wealth infinitely more beneficial to her than all the mines in Mexico and Peru" (1883: 350).

mutual redemption for the members of the collectivity.

Macleod, to be sure, was not a naïve visionary: he clearly saw the state of affairs of the political economy of his times, and recognised the enormity of the power of which bankers had become the ultimate attendants. As he wrote in this regard: “at the present time credit, in its various forms, is the most gigantic species of property in this country [Great Britain]: inferior only, if it be inferior, to the land in magnitude: and the negotiation of debts is, beyond all comparison, the most colossal branch of commerce. The merchants who trade in debts – namely bankers – are now the rulers and regulators of commerce – they almost control the fortunes of states” (Macleod, 1883: 157). But how did bankers practically made their successful *bid* for state power?

The Faustian Pact (aka cash nexus) of modern finance

Why should a bank find it rational to lend upon the surety (i.e. collateral) of a promise (i.e. a borrower’s IOU) whose value depends on the realisation of a radically uncertain future? In all likelihood no bank, taken singularly, would think of asset-collateralising lending as a rational practice, but perhaps a *coalition of banks* might. As explained by Werner (2005: 228),

> [w]hen banks engage in asset collateralization, each individual bank tends to assume it cannot influence the price of the collateral asset. However, banks suffer from the fallacy of composition. If a large proportion of country’s banks engages in increased real estate-related lending, the increase in the value of real estate transactions is likely to be reflected largely in higher prices...Thus real estate prices will be pushed up by the very action of rising bank lending. In the short term, rising asset prices create capital gains for the borrowers and render banks’ loan books technically sound, thus further encouraging increased loan extension...A real estate ‘bubble’ is the likely result.

A financial bubble is a specific feature of modern speculation, for the type of asset inflation it creates is a by-product of bank leverage. The latter indeed implies the production (via discounting) of financial claims on private property that far exceeds the total amount of private property, *so that at any point in time there will be a positive debt-to-equity ratio at the aggregate level of the economy as a whole*. Now, as far as banks discount commercial

bills and alike ‘titles of property in the past’, the creation of financial claims goes in tandem with, and is progressively reabsorbed by, the growth of the industry and commerce of a nation. Here banks are effectively empowering the system of payments. But when, on the other hand, banks systematically engage with discounting ‘titles of property in the future’, the creation of financial claims is based on nothing but promises which may or may not materialise in real assets. As a norm, some promises will while others will not, thus giving shape to a “debt overhang” on the economy bound to lead to some form of debt deflation (see Hudson, 2012). A financial bubble (and burst) is precisely the consequences of the fact that certain promises, after having been systematically deferred, cannot be kept in the end, causing the sudden collapse of the structure of trust that they have worked to construct in the first instance. In this case banks do not empower the system of payments, but on the contrary put it in a stall.

Notably, modern speculation is never born by an individual act but is always necessarily a collective enterprise. Unlike the traditional practice of arbitrage, whose profits stem from the exploitation by individual agents of price differentials among various markets and are thus dependent on ‘playing against the market’, the making of a bubble via the inflation of asset prices requires that speculators ‘play with the market’ in a concerted fashion so as to ingenerate market confidence and sustain the illusion of liquidity of the inflated assets (see Knafo, 2009: 132). “As a growing number of people invest in the same assets, prices soar, thus increasing the profits of those who resale their assets” (ibid.). Needless to say, among those who make a profit by reselling their assets at an inflated price are banks, which have been accumulating those assets as collaterals for loans. Now, “there seems to be a virtuous circle to these bubbles as everyone appears to win in the process, at least until the crisis hits” (ibid.). When this happens, the virtuous circle of money creation reveals itself for what it has been all along: a vicious spiral of unpayable debt discounting. The burst of the bubble is literally a ‘rendering of accounts’, as the systemic procrastination of final payments comes to an end and the redistribution of financial wealth from those who have lost to those who have won in the game becomes, alas, palpable. Of course, the ultimate winners are those who have initiated the process of coordinated investments to inflate the specific asset: i.e. the original asset-collateralising banks and their partnering brokers and financial operators.

Crucially, ‘playing with the market’ requires a coordination of investments and a

systematic engagement in *market-making* activities by 'those who *make* money' in order to sustain the illusion of the liquidity of their liabilities. This, in turn, involves the construction of a complex institutional infrastructure as well as a form of financial governance to harness speculation and make it altogether viable at a systemic level. In this respect, one should better think outside the box and see speculation for what it is: not a sign of irrationality or a dysfunctional practice bound to collapse simply because it is disconnected from production *sensu strictu* (see Knafo, 2012), but a rational and indeed *sustainable* practice. Notably, bubbles can sustain themselves for significant periods of time – much more than one would ever expect.

What is required for a bubble to endure is a financial infrastructure able to indefinitely roll over debts and procrastinate final payments. In this respect, it is not a coincidence that the first financial bubbles occurred in conjunction with the financing of National Debts by the first corporate investment funds (see for instance the South Sea Company's bubble in 1720, or the Mississippi Company's bubble, still in 1720). The modern institution of the Public Debt is in effect a monumental evidence of the fact that financial bubbles can last indeed very long, as long as nations keep servicing their obligations by getting into more debt, thus sustaining the illusion of systemic liquidity. After all, the promise, backed by organised violence, that (the majority of) people will pay their taxes constitutes for a bank engaging in asset-collateralising lending the most *secure* of all nominal collaterals, that is, the most trustworthy of all promises about values to be realised, and profit to be made, in the future. For in the modern world of constitutional states, "nothing can be said to be certain, except death and taxes". In this world – our world – *speculation is sovereign*.

To fully appreciate the last statement, and hence the relationship between modern speculation and sovereignty, once again we ought to go through the story of modern banking and focus in particular our attention on the institution of the Bank of England. The latter was established in 1694, in the aftermath of the Glorious Revolution. Together with the joint institution of a National Debt, the formation of a parliamentary monarchy and the rationalisation of the tax excise, the Bank of England *was* the 'constitution' of the modern English state. In particular, the Parliament, the Tax Excise, the National Debt and the Bank of England formed a kind of institutional "square of power" (Ferguson, 2001: 16), i.e. a new regime of governance and a new form of sovereignty (see Teschke, 2003: 252-5) based on a 'memorable alliance' of a transnational type between state representatives and

bankers (Ingham, 2004; 2008; van der Pijl, 1998). Significantly, this alliance – in fact, this negotiation of power – was sealed by an "indissoluble bond" (Amato and Fantacci, 2012: 190), or "cash nexus" (Ferguson, 2001), out of which modern money was born.

According to a popular view, the Bank of England was established with the intent of *monetizing* government debt. Ingham argues in this respect that "the *privately* owned Bank of England transformed the sovereign's *personal* debt into a *public* debt and, eventually, in turn, into a *public* currency" (Ingham, 2004: 128). The money that resulted from this transformation was a *hybrid* of private credit and public currency, and "[u]nderpinning this transformation in the social production of money was the change in the balance of power that was expressed in the equally 'hybridized' concept of sovereignty of the 'King-in-Parliament'" (Ingham, 2004: 128). However, on a closer look, the Bank of England did not really *monetise* the government debt, but the private debt of state creditors. As Gardiner (2004: 143) has pointed out:

> Although it may have had the capability to monetise government debt, its primary action seems to have been the very opposite: *it took government debt out of circulation*, for government debts […] were replaced by a large bank loan secured on an irredeemable government annuity. If the structure which was created in 1694 were being founded today, it would be described as principally an investment trust of government loans, not as a bank. The arrangement the Bank of England made with the government would be described as a funding of the government debt, that is the replacing of short-term liabilities for long-term ones (my italic).

The Bank of England was in fact a corporate investment trust (Amato, 2008) founded with an initial *own capital* of £1.2 million in gold coins and bullions, gathered by a *coalition* of private investors. This fund was immediately loaned (as a perpetuity paying 8 per cent interest plus £4,000 annually in management fees) to the government, and the Bank obtained in exchange the following privileges: first, the exclusive right to hold all government loans, that is, a charter to manage the entire business of state finance; second, the exclusive right to lend at interest money to the government, "secured by earmarking new taxes" (Broz, 1997: 216); third, the exclusive right to form a joint-stock banking company with limited liability, meaning that all bank shareholders were liable for the debts of the bank only to the amount of their respective initial investment; finally, and most

importantly, “the right to issue banknotes backed by government bonds in amount [in theory] not exceeding the bank’s capital” but, in practice, “in excess of deposits” (Broz, 1997: 216-7). In short, this meant that the bank could “issue banknotes, for example by commercial discount operations, *up to the amount of capital deposited by subscribers*” (Amato and Fantacci, 2012: 187), even though that amount had been already loaned to the government. As Galbraith (1975: 32) explains:

> the government’s promise to pay would be the security for a note issue of the same amount. The notes so authorised would go out as loans to worthy private borrowers. Interest would be earned both on these loans and on loans to the government. Again the wonder of banking.

And so, “exploiting the obscurities of the charter, the bank immediately set about issuing banknotes not only against the public debt, but also by discounting trade bills for quite considerable sums. In this way it rendered liquid not only the public debt securities, but also private credits” (Amato and Fantacci, 2012: 188). Absurd as it may sound, once *duplicated* (please note, as in a *mirror*), the initial bank capital “would contemporary support, in the form of gold, the sovereign’s military outlay, and, in the form of paper, commercial transactions at the private level” (Amato and Fantacci, 2012: 188), de facto serving “two masters: the state and the market” (ibid., 187).

The primary action of the Bank *as a bank* was therefore to issue an amount of banknotes equal to the amount of government debt held: to be sure, it was still another debt, yet a liquid one, allegedly redeemable in gold. It is important to emphasise in this respect that the Bank of England did not properly *leverage* any underlying reserve of hard currency – indeed its entire initial capital of gold coins and bullion had been loaned to the government. That is to say, *the Bank owned nothing but government IOUs on its asset side* and, paradoxically, the gold that the Bank promised with its notes issued upon discounting was expected to flow in its vaults precisely from cashing commercial bills. That is to say, while merchants and financiers of the City were acquiring liquidity by getting their bills discounted, *by the same token* the Bank of England was building up its reserves. And by the same token the Bank was also allowed to buy government debt with the purpose to market it at a profit. The Bank was in other words carrying out a ‘liability management’ strategy, rather than an ‘asset management’ one.

The notion of ‘liability management’ is often employed to describe the type of financial

banking that emerged in the U.S. during the post-World War II period (see Konings, 2007: 158, in Assassi *et al*); however, the same notion can be applied to explain the operations of the Bank of England already in the eighteenth century. As it has been argued, a bank pursuing an asset management strategy is focused on discounting good financial titles, such as bills of exchange, that will build on its asset structure. On the other hand, a bank operating a 'liability management' is focused on securitising debts hanging on its balance sheet (e.g. commercial bonds, promissory notes, loans) and selling them on the financial markets. Notably, these two ideal-typical strategies are not in contrast with one another: a bank can indeed manage in an *active* fashion both its assets and liabilities. The institutionalisation of liability management, however, signals a new approach to banking which is essential to a stable construction of liquidity: "whereas in the traditional approach to banking the money market was a place where banks *bought* financial assets, in the new approach it started to function as a market where banks *sold* obligations and 'bought money'" (Konings, 2007: 158). And so, significantly, liability management implies a further *securitization* of debts and the consolidation of *secondary markets*, which are essential to sustain the liquidity of debts.

Briefly, securitization is the process of taking an illiquid asset hanging in the bank balance sheet and, through financial engineering, transforming it into a liquid *security* to be sold to third parties. Notably, the financial innovations introduced by the Bank of England consisted essentially in a "*securitization* of the public debt" (Amato and Fantacci, 2012: 188), though initially such a securitisation was rather basic. In the case of the Bank of England, the illiquid asset was the much discredited government debt, an accommodation bill drawn by the parliamentary monarchy on endorsement of taxpayers. To securitize such a debt, at least initially, no financial engineering (i.e. 're-packaging') had to be performed: the legal abstruseness of the charter was already enough for this purpose. With the charter, the Bank had in effect *rented* the parliamentary fiscal power to impose a debt on the subjects of the Crown – in other words, it was as if the Bank had capitalised the collateral of the fiscal prerogative of the state, de facto acquiring *pro tem* the power to issue fiat money. This prerogative, however, was not sufficient in itself to ensure the stable value, broad acceptability and circulation of Bank of England notes. Quite the contrary, in this first phase, the 'securitization by decree' of the public debt alimented monetary instability. This is because it was carried out on the basis of a very hazardous bet – an 'all in', a

wagering of the Bank's entire initial stake made on the basis of an original security (the government promise) – that was not secure at all: the initial capital of the Bank was indeed 'gambled' for the purpose of assisting the English government in the war with France. The only *hedge* for this securitization was provided by the *manu militari* of the Crown.

Such an hazardous securitization seriously endangered a founding principle of banking: redeemability. Indeed, very soon after the foundation of the Bank of England, in consequence of excessive issue of banknotes, "and *while [the Bank] continued to pay their notes in specie on demand*, [Bank's] notes fell to 17 per cent discount" (Macleod, 1883: 482). The 'markets' did not trust the Bank's promise, and some private bankers and money dealers in the City even attempted a run on the Bank of England as early as 1696 (Macleod, 1883: 473). The basic problem was that note-issuing could not be effectively sustained unless these notes were made highly liquid. To be sure, this could not be done by decree, even though legislation did help a lot[29], but ought to be accomplished by alimenting a liquid *market for debts and debts alone*, with the consequence of sustaining the indefinite procrastination of final debt settlements: namely, a secondary discount market for interest-earning securities (i.e. government bonds of various types).

Hence, from its foundation, the Bank of England actively worked to the construction of a liquid discount market for public securities. Such a market was to grow exponentially as from the mid-eighteenth century, when the Bank of England began brokering British Consols, prototypes of the modern government bond. Consols were securitised financial instruments, pretty much like the infamous asset-backed securities (ABSs) and collateralised debt obligations (CDOs) that we have learned about as the 'toxic assets' responsible for precipitating the present global financial crisis: in particular, Consols were bundles of government debts (annuities) packaged into a single security engineered to flood the money market (see Davies, 1994: 271).

However, as a consequence of the progressive articulation of a growingly complex relation of liquidity between Bank of England notes, private debts, and government debts, the overall 'debt overhang' grew during the eighteenth century to the extent that the working fiction of convertibility could not be performed any longer: from 1797 until 1821, when the British Gold Standard was finally resumed, convertibility in gold of Bank of

[29] In particular, a 1708 Act of Parliament extended the bank privileges as it became unlawful for any corporate body other than the Bank of England to issue notes within 65 miles of London, the said prohibition being valid for any partnership of more than six persons

England notes was suspended *pro tempore*. This, however, did not cause the collapse of the system of payments, to our amazement. The reason why the economy 'kept running' was that, quite simply, *gold was no longer money*. Indeed, by the time gold convertibility was suspended, gold had already been withdrawn from circulation, buried in the new temples of finance (the nineteenth century, in particular, saw the emergence of joint-stock banking), and it was merely functioning as a *reserve* of real assets to be leveraged for financial purposes. *It was not gold that financed the building up of the British Empire, but its Public Debt*. The reason for the reintroduction of gold convertibility by the British authorities ought to be sought somewhere else, and namely in financial governance: gold was deemed to be necessary not to redeem circulating notes, but to *restrain* and discipline the creation of money by banks and, in particular, by country banks (Knafo, 2006; 2008; 2013).

But if gold was no longer redeeming, then what was that ensured final redemption for the community of money believers? Perhaps *nothing* was. As a matter of fact, the type of finance that emerged together with the modern constitutional state was a *finance with no end* (Amato and Fantacci, 2012: 193). At the foundation of such a finance was a Faustian Pact – a cash nexus – that made our means of payment *servant of two masters*: not simply the 'State' and the 'Market', but also 'use value' and 'exchange value', the 'good' (money as a measure and medium) and 'the highest good' (money as a value to be pursued in itself). But as the gospel reminds us, "no one can serve two masters: either you will hate the one and love the other, or you will be devoted to the one and despise the other. You cannot serve both God and money" (Matthew, 6: 24). And in the end the *summum bonum* of money was not 'appeasement' and 'redemption' but hunger for a power to be claimed 'against all the world'.

Modern money is an enigmatic absurdity: a promise of payment serving as a means of payment, a debt constructed in a way as to indefinitely procrastinate the final settlement of debts to the point of even negating the payback. Money is the *original sin* that does never allow for the final deliverance of sins. And yet, even though it is the acknowledgement of a debt that cannot be paid (Graeber, 2011), we cannot get out of the monetary contract until we have paid the last penny[30]. It is an eternal purgatory (as we never learn) in which we are

[30] As the gospel teaches (Matthew, 5: 25-26) "Come to terms with your opponent or you will be handed over to the judge and thrown into prison. You will not get out until you have paid the last penny". The opponent – 'antidiko' – is a reference to devil whereas the judge is God that will send us to the purgatory/prison, if we have not come to terms with evil and overcome it during our life. Problem is, to 'come to terms' often means to 'compromise' our integrity and be overcome by evil.

bound to honour a contract that violates the sacrosanct nature of contracts (Amato and Fantacci, 2012: 184). But what's more enigmatic is the fact that money allegedly violates also a most basic law of nature and its corresponding *nemo dat* legal principle: the principle of conservation. No one can give what he does not own because *ex nihilo nihil fit*: nothing seems to be more reasonable and self-evident than this principle. And yet, modern bankers have been able to systematically break this law by lending money 'out of thin air'. Moreover, by lending at interest, they also infringe a corollary of the *nemo dat* rule: *nummus not parit nummos*, money does not beget money.

Significantly, the principle of conservation – the idea that nothing can be created out of nothing or be erased from existence, but only be transformed, that is, *change* from one form to another – is only a special case of the postulate of the *identity of things in time*, which is in turn at the basis of a most fundamental insight in the history of human thought: the intuition of a relation of equivalence between forms (Mirowski, 1989: 5-6). Significantly, the postulate of the identity of things in time "is powerful enough to create in us illusions that are contrary to evidence; it makes us accept as substance what in the beginning is but a relation between two limited terms" (Meyerson, quoted in Mirowski, 1989: 6). The same is true for modern money: we fool ourselves into believing that money will eventually redeem us because it is based on a relation of equivalence (and, hence, a relation of *equality*) and we accordingly accept it in exchange as a substance of value although it is in fact only the emblem of a fluid relation of debts, i.e. a relation of relations of promises *ad infinitum*. Like the water of the ocean, this money is here and there, visible and yet invisible, boundless, limitless, of unspeakable magnitude, waiting to be conquered by adventurous entrepreneurs; and yet it cannot be grasped by one's hand, nor can it be drunk to relieve one's thirst. Money *is* 'liquidity personified', sought-after as a philosopher's stone by the bourgeois and *bought by* (believed by) the government as an elixir to achieve immortality, while in the end responsible for the desiccation of the sovereign powers of the 'civil society' before the metaphysical (financial) empire of capital. We are all the more dead in the long run.

Postscript: another dogma of money is still a dogma

Far from being a hybrid of public currency and private credit, the money forged by the modern banking alchemy is a claim, *a right produced by a bank-mediated negotiation of debts with debts*, giving rise to a positive debt-to-equity ratio at the systemic level – it is indeed an illusion of liquidity, a sparkling ocean of purchasing power at the bottom of which lies a vortex of unpayable debts. Notably, this money is *ontologically* neither a debt (a liability) nor an equity (an asset) but *new value*. As Heinsohn and Steiger (2000: 86) have argued in this respect, "*money is created in a credit contract but is not itself a credit*" or debt[31]. Instead, money is *net worth* loaned by banks to the private sector (Heinsohn and Steiger, 2006: 498). Crucially, this "net worth is not eliminated again when the loan is paid back" by the single borrower (ibid., 498) because in the meantime money has been capitalised in 'productive' or 'unproductive' ways, thus adding net value to society as a whole, whether in the form of 'real' or 'financial' assets (the latter causing the formation of a debt overhang).

In this respect, it is important that we understand that though money is *new value* created 'out of thin air', or 'out of nothing', this must not be intended as the fact that money magically pops out of a 'vacuum' or 'oblivion'. Thin air is nothing, but a nothing that *is* and, literally, *does matter*: it is a *solid* space, though one whose materials (particles) cannot be seen or touched. In thin air lie *intangible* materials called property (Gray, 1991) and, hence, historically-specific relations of credit-debt. Quite simply, this means that, analytically, money-out-of-nothing is *nothing but* a *leverage* of property, i.e. a power over property relations. This emblematic truth is partially grasped by the heterodox economics' notion of 'endogenous money', possibly the major conceptual foundation of the post-Keynesian proposition together with the idea that money is a non-neutral factor of the economy. In this case, however, the truth of money *as* power is reified and accepted in a dogmatic fashion, as the revelation of a most fundamental onto-logical identity: 'money *is* credit'.

At its simplest, the thesis of money's endogeneity states that *the money supply is endogenous to the demand for credit*; in other words, the demand for credit *rations* and hence defines the money supply. Notably, this goes against a major conceptual foundation

[31] Similarly, Dow (2006) argues that money is not credit but arises as a counterpart to credit.

of orthodox economics: Say's Law. According to the latter, things go the other way around as the supply creates its own demand, based on "an automatic market mechanism that ensures the full employment of available resources in the most efficient manner possible" (Davidson, 2006: 140). As a corollary to this rejection of Say's Law, the thesis of money's endogeneity also objects the orthodox key-notion of money's *scarcity*. In fact, once it is assumed that endogenous money is supplied by the banking system *on demand*, that is, in a passive fashion to meet the private sector's demand for credit, then it goes without saying that there can never be a *lack* of money. Seen from a different angle, this means that no formal (financial) constraint can be put on the creation of credit by banks, and indeed banks are able to provide credit 'out of nothing' as long as people demand it. As the reader will recall, this is precisely what neo-chartalists argue with respect to deficit spending (see chapter 2) – the only difference being that in this case it is not the government but the banking system to actually enjoy the privilege to issue money *ex nihilo* until the private sector's demand is *saturated*.

The thesis of money's endogeneity or, simply, 'endogenism', was conceptually systematised starting from the 1980s (after the collapse of the Bretton Woods' system), on the wake of the works of post-Keynesian economists Kaldor (1982) and Moore (1988). Their basic arguments were constructed around two key-propositions: first, the money supply (including high-powered or fiat money) is *structurally* determined by the demand for credit and hence endogenous to the operations of the economy, i.e. market-driven; second, interest rates on money are *contingently* set by the central bank and are accordingly exogenous to the economic process, i.e. state-driven, dependent upon the discretionary *agency* of monetary authorities. As we can see, from this perspective the autonomy of monetary authorities is very limited. First of all, *money is not a creature of the government but a creation of banks*; more specifically, money is not dropped 'from above', vertically, by the central bank, but is produced *horizontally* by the banking system to meet the aggregate demand for credit. Second, in the same way as the banking system is driven to *passively* meet the general demand for credit so central banks ought to *accommodate* the banking system's demand for reserves of high-powered money. Hence in the world of endogenous money causation does not move from the state to the private sector and from currency to credit, but the other way around. First, banks provide credit on demand, then they seek liquidity in money and financial markets; eventually, if banks are

still short of reserves after having gathered funds by selling securities, the government via the central bank steps in and accommodates the banks' demand for currency. That is to say, from the endogenist perspective, bank credit is *logically prior* to fiat money (i.e. bank reserves). Put crudely, this means that the government enjoys no discretion in monetary policy, nor can it fully control monetary aggregates, but *it ought to operate in accordance with what the (credit) market demands* (or, better, *commands*). For these conceptual breakthroughs, Kaldor and Moore's original version of money's endogeneity is nowadays known as the 'horizontalist' or 'accommodationist' approach (Lavoie, 2006), in contrast to 'verticalist' approach of mainstream economics that, paradoxically, depicts the central bank (and the state) as an almighty monetary authority.

To be sure, one of Kaldor and Moore's primary aims was to question the validity of monetarism, the dominant monetary policy of the time. According to monetarism, the government can indeed control the growth rate of the money supply (see Blyth, 2002; Krippner, 2005). By contrast, endogenism implies very little room for manoeuvre in terms of monetary policy: the central bank cannot control the volume of (bank) money, but only attempt to stabilize the interest rate on the currency whilst *accommodating* the demand for credit in the institutional vest of *lender of last resort*, in the effort to curb fluctuation and volatility in short-term interest rates on credit. Significantly, behind this technical and anyway theoretical diatribe was (and still is, though in different forms) a historical conflict about how the politics of inflation should be carried out. Whereas for monetarism the money issued by the central bank was source of inflation so that the *quantity of money* ought to be controlled by the government in order to curb (pro-debtor) inflation, according to endogenism there could never be an *excess* of money: if anything, the growth of the money supply was not a cause but an effect of inflation (Dow, 2006: 40). In fact, from the endogenist perspective, the money supply *coincided with* the credit supply which was in turn assumed to be demand-driven (i.e. market-driven): as a result, *pace* creditors, money could neither be issued in overabundance, nor be rationed and made scarce, because its endogenous supply was always bound to meet debtors' needs. The policy implications of the theoretical twist given by endogenism are enormous: from this alternative perspective, governments should not regard their fiscal policy as responsible for inflation and are therefore free to deficit spend. Yet, they still ought to deal with inflation and the dangers deriving from an 'over-heating' economy, but to this purpose they should not target the

quantity of money but the *price* of money, i.e. the interest rate on the money they are prepared to lend to the banking system via the central bank. To be sure, interest rate maintenance operations would only account as a *defensive* strategy to counter market forces, not as an action able to determine *ex ante* the general level of prices.

Today all schools of heterodox thought within the post-Keynesian tradition (including neo-chartalism) agree with Kaldor and Moore on the points that (a) money is created by banks, and (b) authorities cannot control monetary aggregates (quantities). This said, there remain considerable differences among the approaches. In particular, Kaldor and Moore's original version of money's endogeneity, which is nowadays known as the 'horizontalist' or 'accommodationist' approach (Lavoie, 2006), finds oppositions in the more recent 'structuralist' approach (Dow, 2006). The latter promotes a more radical view of money's endogeneity; in particular, it challenges the idea that interest rates can be set exogenously by the central bank and, above all, it acknowledges the possibility of an excess or deficient money supply[32]. Also, structuralists are ways more sensitive to the problematic of liquidity in relation to speculative finance. In this variegated panorama of post-Keynesian approaches that, beside accommodationism and structuralism, also includes the many branches of circuitism (see Gnos, 2006; Realfonso, 2006; Rossi, 2006), neo-chartalism firmly stands with the 'conservative' position originally formulated by Kaldor and Moore; accordingly, it argues that though the state cannot determine the *quantity* of money, it can still determine its *substantive value* or *price,* by setting the prime interest rate. In other words, "the supply of money is determined endogenously while the price of money (short-term interest rate) is determined exogenously as a result of central bank policy" (Wray, 1998: 111).

The problem with accommodationism, and therefore with neo-chartalism (see chapter 2), is that within this conceptual framework "liquidity preference explanations [are] relegated to the sideline" (Lavoie, 2006: 17) precisely because the value (price, purchasing power) of money is assumed to be somehow *exogenous*. This is simply wrong. As a matter of fact neither the government nor the central bank – the suppliers – are in the condition to control the price of money by simply declaring unilaterally and *ab origine* its value or by setting how much they are willing to pay for the purchase of goods and services (including

[32] They argue in this respect that though it may be incorrect to speak of money's scarcity, provided that it can be created 'out of thin air', "there may indeed be scarcity of finance, especially for particular groups of borrowers" (Dow, 2006: 45).

the purchase of bank debts) when they spend ‘by keystroke’; nor, vice versa, is the private sector (the people) able to set the margins with its demands. Things are much more complex: to be able to price the currency the monetary authorities ought to relate to the market via bond sales, accommodate its demands and *negotiate the manifold interests on money accruing to banks*. Behind the production of money are indeed *privatised interests*, that is, bank interest-earning credits, and “as far as credit creation is concerned, the relevant [interest] rate” is not the central bank prime rate but “the loan rate, which is set by the banks themselves” (Dow, 2006: 41). And so, *the central bank’s prime rate or, more specifically, the repo rate (the marginal cost of liquidity) is constructed in response to the loan rate (i.e. the market rate for credit) as a defensive strategy* to counter ‘market forces’, not as an action able to determine *ex ante* the general level of prices. The resulting mark-up between repo rate (setting the price of the currency) and loan rate (setting the price of credit) gives us a magnitude of what economists call “lender’s risk”. Crucially, this risk is determined neither by the monetary authorities nor by the market; in fact, it is inherently undetermined and undeterminable, *uncertain*, dependent on banks’ liquidity preference, which is in turn expression of historically-specific property relations *in their making*.

In this struggle, far from being passive intermediaries and go-betweens (Gnos, 2006: 96; Rossi, 2006: 122) that merely supply money on demand, banks *ration* their credit on the basis of collateral values and actively engage in speculative operations (see Heinsohn and Steiger, 2000; 2006; 2009; Werner, 2005). Some of these banks have grown to the extent that they can no longer be seen as mere banks, as they are “very large, globally active banking firms that operate via bank holding companies in numerous retail and wholesale markets” (Dymski, 2010: 75). The financial operations of these “megabanks” (ibid.) involve investments in private equity firms, proprietary trading, leveraged buyouts, predatory takeovers, asset stripping, predatory lending, acquisitions & fusions, besides the negotiation of securitised debts and bets of every sort that go under the name of derivatives. This has nothing to do with the financial intermediation of savings and investments. These banks are “now the rulers regulators and of commerce, and they almost control the fortunes of states”. They are primarily responsible for the current global crisis, and yet they are also the firms that have benefited the most from it, because they are allegedly “too big to fail” (Ferguson and Johnson, 2010). In the name of this perverted ideology, in the past few years we have witnessed the greatest transfer of wealth from

‘public’ to ‘private’ in modern history (see Hudson, 2012), as exemplified by the politics of fiscal austerity for the masses and the converse politics of credit largesse for the banks (disguised as ‘quantitative easing’). Perhaps not everybody will be dead in the long run. *E chi vuol esser lieto sia*.

PART II

CHAPTER 4

The significance of money: outline of a non-sense

What then is truth? A movable host of metaphors, metonymies, and anthropomorphisms: in short, a sum of human relations which have been rhetorically and poetically intensified, transferred, and embellished, and which, after long usage, seem to people to be fixed, canonical, and binding. Truths are illusions which we have forgotten are illusions; they are metaphors that have become worn out and have been drained of sensuous force, coins which have lost their embossing and are now considered as metal and no longer as coins (Nietzsche, *On Truth and Lies in a Nonmoral Sense*, quoted in Sedgwick, 2007: 5).

I reflected that every coin in the world is a symbol of those famous coins which forever glitter in history and fable (Borges, *The Zahir*).

We humans sometimes make mountains out of molehills. But only God and his opposite number can make something out of nothing. Maybe alchemists can make gold out of tin, but they cannot make tin out of what Poe's Jupiter calls "*no* tin". For us the terrible dictum – that nothin' will come of nothin' – seems to hold true. Except, that is, in the shadowy realms of aesthetics and monetary policy (Shell, 1982: 14).

PREMISE. Money is an institution, no one can doubt it. Yet everyone seems to forget it all the time, and perhaps with a reason. If truth, as Lacan said, should be conceived as 'that which punches a hole in knowledge', then the institution should be conceived as that which punches a hole in truth, de facto opening it, drawing the memories of our experiences out of it and making it hollow, similar to a Platonic *chora*[33], a receptacle of forms, *a movable*

[33] The Greek term *chora* refers to 'an empty expanse', but also to 'the space lying between two places or limits', that is, a *hiatus*. The hiatus originating in the institution is a 'third' symbolic dimension which is at once the *true* locus of Nothing and the *real* genesis of Power (Power is in-between, ubiquitous). This symbolic hiatus makes truth real, objective, *intelligible*, but at the same time it creates a tension between 'what is known to be true' and 'what is comprehended as real'. And so, the separation of records – 'la separazione dei registri' – between truth and reality also creates an unintelligible *abyss* of alienation, a bottomless gulf, abode of demons and evil spirits, where the *dia*bolic resides (see Panagia, 2001). Whence an insurmountable hermeneutical problematic.

host of metaphors. For the institution is always the institution of a metaphorical hole that makes truth (expressible as) *real*. But what is more, not only does the institution make truth real: it also makes truth *illusory* (in the same way as money makes the economy both real and financial). This is due to the fact that a metaphor entails the production of meaning – i.e. it entails *significance* – but is also “the site of a constant forgetting” (see Panagia, 2001: 59), that is, source of alienation. The institution is there, always there, immutable and familiar, and yet the more we look at it the more it becomes uncanny – *unheimlich*[34] – as we realise that the whole thing is intractable and protean: a *non-sense* that comes *out of nothing* and has no history. And so, as we gaze into the abyss originating in the institution, we discover that the latter makes truth real, but it also makes *nothing* real. That is to say, the institution makes nothing *really real*, casting everything in the shadow of a doubt and under the spell of an illusion – which is also why it makes everything *nearly real*, that is, *virtual*.

Virtual is precisely something which is not really real and yet nearly real (i.e. *near to*, *contiguous to*, real), as it displays the salient qualities of the real – namely the capacity to produce a certain, objective, effect – without being a ‘naturally given’, a positive *datum*, but a socially constructed *factum*, made by men. The virtual refers to the “*immensity of forms*” (Legendre, 2005: 190): it is where imaginary *limits* to our imagination are instituted and where the social imaginary takes shape (see Castoriadis, 1997). Our reality is accordingly one populated by phantasmagorical entities, or forms, of which ‘man’ is nothing but one. In this virtual world, man is imaginarily instituted as a finite entity, and this is not for banal reasons connected to his mortality, but for philosophical reasons: “man is a ‘finite being’ because *he can create nothing*. […] Man’s finiteness means this and only this: that he cannot make an electron exist out of nothing” (Castoriadis, 1997: 199). This fundamental truth is captured by the principle of conservation: nothing is created, nothing is destroyed, everything is transformed. The problem with this truism is that ‘nothing’ too has to be instituted as an imaginary limit of some sort in order to be part of this reality: that is, nothing has to be given a form. In fact, *man can create nothing*, and he does so when he creates “institutions, poems, music, tools, languages – or monstrosities” (Castoriadis, 1997:

[34] Das Unheimliche, the Uncanny, is a Freud’s neologism that stands for “the opposite of the familiar”. It is worth noting in this respect that “the essence of metaphor is understanding and experiencing one kind of thing in terms of another” (Lakoff, 1980: 5), that is, to make familiar the unfamiliar, knowable the unknown.

199). In short, he creates nothing when he creates *eidos*. This is why in this virtual world man is also imaginable as an 'infinite being'.

An *eidos*, says Castoriadis (1997: 195), "comes from *nothing* and out of *nowhere*", "it does not have a *pro*venance but is an *ad*vent": an *eidos* is *creation* of the other (i.e. of the new). In Castoriadis' discourse, an *eidos* is a "social imaginary signification" by means of which we, as a collectivity, are able to give form to our sociality and provide sense to our experience. An *eidos*, properly speaking, *represents nothing* since it *signifies itself*: it is in other words a reflexive, self-indicating form (an *index sui*) that institutes a way of doing and making in the world. Now, according to Castoriadis, the fundamental property of a signification is indeterminateness and indefiniteness[35]: "we can describe it only as an indefinite skein of interminable *referrals* to *something other* than (than what would appear to be stated directly)" (Castoriadis, 1997: 243). In this respect, "a signification is nothing in itself; it is only a gigantic loan", a "*quid pro quo*" (Castoriadis, 1997: 244; 248): it is something *for* something, 'that which a party receives (or is promised) in return for something he does or gives or promises', a *permutation ad infinitum*.

A signification is therefore a peculiar sign – in fact, a sign-complex – whose *significance* cannot be grasped by the naïve dichotomy *signifier-signified*. In Saussure's conceptualisation, an act of signification is one "whereby encoded signs are given certain meanings depending upon context" (Silverman and Torode, 1980: 256-7). The problem with this conceptual framework is that "it assumes that meaning is not processual or emergent but given and determinant. Second, it implies that meaning resides ultimately in what the signifiers signifies or, put more directly, that meaning is directed towards the *signified*" (Silverman and Torode, 1980: 257). A signification, on the other hand, does not invest with meaning a structure of signified 'out there' but is itself a "moving play of signifiers" (Barthes, quoted in Silverman and Torode, 1980: 257), a continuous emergence of meanings without reference to anything signified: it is the structuration *from within* of a symbolic network, a "metaphorical mapping" (see Lakoff and Johnson, 1980). And so, a signification (an *eidos*, an institution) is always essentially *tropic*[36], of the same kind of the

[35] "A signification is indefinitely determin*able* (and the 'indefinitely' is obviously essential) without thereby being determin*ed*. It can always be marked out, provisionally assigned as an identitary element to an identitary relation with another identitary element (this is the case in designation), and as such be 'a something' as the starting point for an open series of successive determinations. These determinations, however, in principle never exhaust it. What is more, they can, and always do, force us to reconsider the initial 'something' and lead us to posit it as 'something else', turning by this very fact, or in order to bring it about, the relations by means of which the initial determination had been made" (Castoriadis, 1997: 346).

[36] In this respect, it is interesting to note that the Greek word *tropos* is related to the root of the verb *trepein*,

metaphor.

Indeed, “the essence of metaphor is understanding and experiencing one kind of thing in terms of another” (Lakoff, 1980: 5). Through metaphors we do not merely figure an external brute reality, but we construct reality in the first place by *instituting* identities – ‘sign-complexes *for* sign-complexes’ – between the contents of our experiences. The outcome of these *semioses* are gestalts, metaphorically structured concepts (Lakoff and Johnson, 1980). The German word *Gestalt* stands for ‘shape’, or ‘form’, and refers to the essence of a form in its wholeness. A gestalt is a ‘whole’ that we experience as more basic than its parts (see Lakoff, 1980: 70). Crucially, a *gestalt* specifies and deepens our experience of things by articulating a sense of causation among them, thus making us perceive them a*s a whole*, and *in their wholeness/relatedness*. In Hegelian phenomenology, a gestalt is precisely the synthesis through which subjectivity is able to overcome differences (i.e. that which *negates* itself)(see Knafo, 2002). This synthetic whole, however, is not just *more* (greater) than the sum of its parts, but is *other* that its parts, that is, irreducible to a set of properties, reasons, or building blocks of meaning. A whole is not an ensemble: it cannot be reduced to an identitary logic. And yet a whole is always the institution of an identity of signification – what an absurdity!

This preliminary remark will probably sound like a *delirium* to the reader, and with good reasons. My aim is indeed to ‘get off the track’ (this is what the Latin word *delirium* means) and try to outline a new discourse on money capable of making sense of its many contradictions – indeed a discourse to give form to money’s non-sense. In walking through this perilous path, I am heartened by the words of the poet: *if the fool would persist in his folly he would become wise*. Also, *the hours of folly are measured by the clock, but of wisdom: no clock can measure*[37].

The ontological problematic of the institution

What is an institution? What type of hole does money punch in truth? “Institutions”, writes the well-known anthropologist Mary Douglas, “bestow sameness” (quoted in Mirowski, 1994: 14). In the same vein, Castoriadis states that “[t]he institution is always the institution of the norm”, and as such it “*brings* identity *into being*, for the first time in the

meaning ‘to turn’, ‘to direct’, ‘to change’, ‘to alter’.

[37] William Blake, *The marriage of Heaven and Hell*.

history of the world, by bringing into being the identical as rigorously identical. In this sense, 'full' identity exists if and only it is instituted" (Castoriadis, 1997: 205). Therefore, adds Castoriadis (1997: 205-6), "the institution itself can exist only as a norm of identity, the identity of the institution with itself, for it can exist only by being itself *what* it decrees as having to be: *the identity of the norm with itself which is posited by the norm so that there can be a norm of self-identity*". Hence Simmel's cryptic statement: "[m]oney is therefore one of those normative ideas that obey the norm that they themselves represent" (Simmel, 1990: 122).

What does this all mean? Prima facie, a very simple thing: the institution is always the institution of an identity that is at once a *norm of identity*, therefore an identity that is not only spatial but especially temporal, as it *ought to* stay identical *all the time*, de facto contradicting the very essence of time, i.e. *change*. The institution thus makes truth objective, monolithic, immutable, de facto bending the reality of change by creating a *rift of time*: once instituted *as a whole*, 'money (in space) *is* money (in time)'. This simple truth – money is money – connotes a particular reality: not an abstract, onto-logical reality but a concrete, historical one that we call *normality*. This normality is glowing, like a black hole, and even dazzling, making us blind. And yet, precisely because it is so radiant and magnetising, we are so attracted to it and are so *within* it that we are in the condition to see through it and make it intelligible. That is, we can spot within the brute *datum* of money's normality the *factum* of a monetary *normativity*, the institution of an *index sui*, of a self-referential 'idea' (*eidos*) of money. This *factum* has nothing of the 'naturally given' but is by definition a men's product: i.e. a *historically-specific* and *socially-contextual* form.

Now, despite what hardcore inductivists may believe, facts never speak for themselves, and are difficult to treat both practically and theoretically, precisely because their apparent normality goes in tandem with a subterranean normativity – a historical 'making-of' that ought to be made intelligible. A money-form makes no exception. Ontologically, the primary difficulty in dealing with an institutional form such as money is rather straightforward: when an institution brings *identity* into being, by the same token it also brings *difference* into being. In this case, the problem with articulating a discourse on the essence of money stems from the fact that money institutes at once a *separating limit* between what is money and what is not and a *uniforming measure* for combining and exchanging the items of these two opposing series (or onto-logical sets). In this respect,

says Simmel, money necessarily plays a *dual role*, which “consists, on the one hand, in measuring the value relations of goods exchanged and, on the other, in being exchanged with these goods and thus itself becoming a quantity subject to measurement. Money is measured by the goods against which it is exchanged and also by money itself” (Simmel, 1990: 122).

> Thus money stands as the measure and means of exchange above valuable objects; and because its services initially require a valuable representative and give value to their representative, money is ranked with those objects and is subsumed under the norms that are themselves derived from money (Simmel, 1990: 122).

Put crudely, in order to be measure and medium of exchange, money must first of all constitute itself historically and contextually as *value* or, to be more specific, as *the sole and exclusive form of value* – that is, *uniform* value. “Money”, adds Simmel, “derives its content from its value; it is value turned into a substance [and not vice versa, nb], the value of things without the things themselves” (Simmel, 1990: 121).

“Money”, says Simmel (1990: 121), “is simply ‘that which is valuable’”. The recognition that money is value, however, does not solve the ontological problematic of money’s dual role but only complicates it. Indeed, as a *reification of value* (i.e. ‘value turned into substance’), money institutes an identity of uniformity (i.e. true sameness, ‘the identical as rigorously identical’) and difference (i.e. true otherness, or radical alterity) by bringing together “two mutually independent categories through which our conceptions become images of the world” (Simmel, 1990: 59): respectively, ‘being’ and ‘value’. And so, as we openly acknowledge the simple truth that ‘money is money’, we are already coming to subtly recognise the inner normativity of its ‘being of value’, i.e. the fact that ‘money *is* value’. That is to say, we realise that the *onto*-logical identity ‘money is money’ rests in fact on an *ana*-logical formula, a metaphor that reads ‘money *is* value’. This introduces us to a more complex duplicity, for we now understand money in terms of value and vice versa, and yet precisely because this analogy is based on a social construction, we are still able to discern a fundamental diversity between these two domains: as a result, we agree that money is value, but we also think that money is not really value, for we know that *true* value is something other than money, something lying somewhere else. This duplicity – in fact, this *deceptive* understanding – of money is again the working of the

institution, responsible as it were for establishing a norm of identity which sets at once ‘that which is value’ (uniformity) and ‘that which is *other than* value’ (difference) (see also Dumont, 1986).

In this respect, it is important to point out that ‘being *other than* value’ only superficially – when taken abstractly in itself – means ‘being *not* value’; on the contrary, if we consider ‘what is *other than* value’ in its instituted relatedness with ‘what is value’, we can clearly see how ‘being *other than* value’ means to be *another value,* and possibly *new value* (the reader will recall in this respect that in chapter 3 money has been *analytically* defined as ‘net worth’). That is to say, the possibilities for the existence of both ‘value’ and ‘another value’ are originally contained together in the very institution of money. Put crudely, money sets up a *quid pro quo* of values (which is also why money breeds *moral confusion*, see Graeber, 2011). After all, *quid pro quo* is what monetary exchange is all about; in the performance of an exchange, money is indeed experienced by subjectivity as *being* insofar as it is *becoming* something other than itself: money is ex-*changing* and by doing so it is producing social and institutional change.

For these reasons we say that an institution, such as money, is constraining but also *enabling*, for “the existence of rules implies constraints. However such a constraint can open up possibilities: it may enables choices and actions that otherwise would not exist” (Hodgson, 2001: 295). It is for these reasons that institutions appear as being “simultaneously both objective structures ‘out there’, and subjective springs of human agency ‘in the human head’. Institutions are in this respect like Klein bottles: the subjective ‘inside’ is simultaneously the objective ‘outside’” (Hodgson, 2001: 296). An institution, says Castoriadis (1984: 240), “constitutes, within brute reality, that in relation to which nothing can be done, and that in relation to which some kind of making/doing is possible”.

In other words, *in virtue of* the institution we can rationalise in a sense our experience of the ‘other’ and become able to meaningfully relate with one another, and act *socially* in the world. But crucially, what we can achieve with an institution is always limited to an extent: that is to say, not everything becomes possible but only ‘some kind of making/doing’ can be done. An institution, in other words, is the *instrumentality* of a change that is always *finalised* in a sense. As such, the institution is never merely a *means* but also ultimately and *end* in itself. In money this fundamental duplicity is reflected in an unsolved epistemological *hiatus* that takes on many forms and is reproduced through a stratification

of discourses as a tension between: measure of value and value in itself; (state-engendered) money of account and (market-driven) medium of exchange, or claim; promise of payment (I Owe You) and means of payment (I Don't Owe You Anymore); debt (liability) and commodity (asset); and so on. In most cases scholars do not recognise the existence of such an epistemological tension is their discourses: that is, they assume money to be a phenomenon of a dual nature without ever realising that its multiple dualities are in fact a reflection of their schizophrenic understanding.

As an example, let's consider Ingham again. As he argues (see chapter 1), money is at once an infrastructural power to measure and e despotic power to claim (notably, here the claim stands for a number of different notions, such as 'credit', 'purchasing power', 'money-proper', 'means of payment' and, to an extent, also 'store of value' and 'medium of exchange'. The money-claim is in effect a politicised version of the orthodox money-medium whereby "the medium is the message"). However, aside from the assumption of an ontological primacy of money of account, Ingham offers no *explanation* whatsoever of how the despotic power to claim ensues *eo ipso* from the infrastructural power to commensurate. Rather, throughout his discourse, we constantly witness, apparently insurmountable, a marked logical discontinuity between the measure and the claim: what explains one cannot be exploited to explain the other, so that we can never decide once and for all whether money is the measure of value hence value, or vice versa. That is to say, we are provided no causal mechanism, no connection, no argument other than a dogmatic assertion of the primacy of the measure to say which of the two comes first.

Of course, this analytical discontinuity runs much deeper as it invests the very 'natures' of the measure and the claim. Indeed, ontologically, the measure presents itself as a logically necessary *representational* sign, i.e. a sign which is based on an identity of form anterior to the content of the social relation it *denominates* (or else denomination cannot occur). In other words, as a money of account, money functions as an *ex-ante* sign necessary to quantify and denominate an *ex-post* price ratio, as in a naïve signifier-signified semantics. Accordingly, money as measure is subsumable under the category of the 'systemic precondition', an *instrumentality* of society at large whose rationality resides beyond human agency and cannot be appropriated by the subject. From this perspective, as a recent metaphor sums up, money (of account) is "to the economy what the operating system is to the computer" (Cartelier, 2010: 24). The claim, on the other hand, is a

logically contingent *iconic* sign (see for instance Konings, 2011b) or *emblem* (Amato, 2010): namely, it is the *embodiment* of a promise, a right, the sign qua signature of a contract. In other words, in contrast to the measure, the claim is never a nominal sign but a real token, the creation *uno actu* of an identity between the symbol *and* the content – it is the document of a "reality that really exists" (Foucault, 1966). Most importantly, unlike the measure, the claim is also a potential object of monetization, as it can be stored, spent, circulated, depending on the guarantee of its capacity to *conserve* itself (i.e. to store value) and demand redemption in the future. In this sense, the claim is a value and as such it is never neutral for it can and must be appropriated and claimed against the world to be properly itself; in short, the claim is not an instrumentality but a *finality* and a fully-fledged power (what economists simplistically conceptualise as 'purchasing power').

In this respect, it comes as no wonder that, despite endorsing *ab origine* the ontological primacy of the money of account, heterodox economists concentrate their analyses on money as a claim in its many facets (see part I): because the analysis of the money-claim is what comes nearest to our experience of money *as* value, and hence what best elucidates money *as* money (money qua money). This said, it would be nonetheless a great mistake to sustain that the notion of claim is more appropriate than the notion of measure for our study of money; after all, given the discontinuities between the two notions, we have no ground to endorse the primacy of either of the two. Besides, what is truly at stake is not to resolve the alleged duality of money (which is only the mirror of a schizophrenic understanding) but to get things straight and look at the reality of money for what it is, because however we see it, truth is that 'money *is* money': an *unitary phenomenon all along*.

And so we might not want to choose between measure and claim and, instead, accord the possibility that in the same way as grammar and speech are constitutive parts of language (despite them pertaining to different levels of ontology), so measure and claim may partake of the same phenomenon of 'money'. We must be wary, however, not to succumb to the vagaries of a fragmented science that does too easily indulge in ambiguities and *ad hoc* explanations to conceal the many *hiatuses* that crack its general discourse: as Hodgson (2001) claims, we need some sort of "ontological unification". However, I shall add, we also need some sort of epistemological and methodological unification. In fact, our purpose should be the recovery of a *unity of understanding* rather than the mere definition

of a unit of analysis. And so, to avoid the risks of an ontological problematisation per se – of a dance on the edge of the *abyss* that might well end with a dramatic, endless, fall – we ought to stick to a pragmatic research question, a *ratio* that will keep us from indulging too much in the sublime geometries of the metaphysics at the horizon of our investigation. This question or, better, interrogation, should not concern the *nature* but the *significance* of money, and so we should ask "what money means to us": for money *is* and *does* what we *make of* it, and therefore it is only by making sense of the significance of its institution that we can investigate the 'possibilities' of money, and namely what *we* can *make with* it and why we should do so.

The epistemological problem of historical specificity

To include a study of money into a larger discourse on the significance of its phenomenon is easier said than done: unlike a discourse on the 'nature' of money which, for obvious reasons, 'yearns for infinity' as it aims to identify its *universal character*, a discourse on the significance of money ought to take into account the fact that, more mundanely, the content-meaning of money is necessarily bound to a certain socio-historical context, and thus possesses also a *particular character*. Therefore, to begin with, a discourse on the significance of money ought to call for a reflection on the problem of the historical specificity of forms of money. Simply stated, this problem "first acknowledges the fact that there are different types of socio-economic system, in historical time and geographical space" (Hodgson, 2001: 23). Accordingly, money would not be always the same but, depending on the historical context, 'what it is' and 'what it does' would change, even dramatically.

Now, it must be pointed out that, if seriously handled, the problem of historical specificity does not imply a neglect of general theorising in favour of a strictly inductive empiricism or historicism; instead, it demands that we devise a methodology for comprehending the 'general' (the structure) in relation to the 'particular' (the agency), as occurring in our experience of the phenomenon at stake, in a way as to overcome a naïve conceptual opposition of 'universal' and 'particular' and an equally simplistic approach to the philosophical problem of Universals. In this respect, Dodd argues that to "overcome the problem of generality in defining money requires establishing criteria which distinguish

money from non-money in different societies" (Dodd, 1994: xxii). "Significantly", he adds, "this distinction arises not from comparison of monetary and non-monetary forms but from examination of the network of social relationships integral to each as a type of exchange. […] It follows that to understand what is distinctive about money requires reference to the network of social relationships which makes its transaction possible, not to object exchanged or the exchange relationship itself" (1994: xxiii). According to Dodd, it is thus possible to provide an *empirical study* of monetary forms and produce an *analysis* of monetary networks that would include their spatial as well as temporal properties. Put simply, this would mean that, *methodologically*, we could eventually *know* money by taking into account the types of social networks in which its particular forms are embedded and, hence, by enlarging the unit of analysis so as to include the historically-specific 'political economies' that these networks articulate.

Needless to say, this sounds very sensible but, alas, is not immune from epistemological critique. In fact, if seriously examined, the problem of historical specificity raises a delicate issue about how we can possibly outline a *comprehensive* theory of money provided that our knowledge of it, too, is historically specific. To properly handle such an issue, we cannot but reconsider our studies (qua *analyses*) of both society and its institutions in relation to our knowledge (qua *interpretation*) of history: in other words, we must think of society (including our own society) *as* history. To be sure, this requires a substantial hermeneutical effort since society, *insofar as history*, cannot be merely analysed and/or described from the external standpoint of a hypothetically neutral observer, as if it were an *empirical datum*, but ought to be *narrated* as part of a discourse and, reciprocally, must be necessarily *read* as an enigmatic text (see Legendre, 2005). In the specific, one must be able to produce an 'archaeology' of those "systems of simultaneity" or "epistemes" (see Foucault, 1966; Mirowski, 1989) articulating cosmologies of knowledge about the world at large and money in the specific. This is because money 'as we know it' does not correspond, for instance, to *nomisma* as the Greek knew it. Indeed, as von Reden (1995: 173) has correctly pointed out, the Greek term *nomisma* is "identical neither with coinage nor with money", but corresponds to a peculiar conception of 'currency' that can be epitomized as 'that which is just in distribution' (see chapters 5 and 6). And so, as a rule of thumb, a study of money must necessarily encompass a hermeneutics because depending on the historical context people will *valuate* things differently and, accordingly, they will

develop different categories and give original meanings to their measures and media of *value*.

Besides, there is a fundamental linguistic issue to consider. When the scholar treats the words ‘nomisma’, ‘moneta’, ‘denaro’, ‘argent’ as synonyms with the word ‘money’, and hence subsume them under the domain of the latter, she forgets that all these words are in fact loci of *other* (interrelated) semantic domains unfolding constellations of meanings that are reminiscent of *other* contexts and cosmologies. This is why what the Italians mean by ‘moneta’ does not entirely match what the Anglo-Saxons mean by ‘money’ or what the French mean by ‘monnaie’, though all these words share the same etymological roots and broadly refer to the same phenomenon. As a matter of fact, these words possess a peculiar historical depth that we can only access *genealogically*, with the benefit of hindsight, with the purpose to understand how their different historical lineages, and the different discourses underpinning them, have brought to their present *common* sense. That is to say, we can understand the differences among money-forms only by elucidating their specific meanings *in relation to their present common sense*[38]. Clearly, to this purpose ‘analysis’ per se is meaningless, since the understanding of a word-for-money, such as for instance ‘nomisma’, cannot be separated from a hermeneutical *deconstruction* and a genealogical *reconstruction* of how and why – *in what sense* – this particular word has grounded the past experiences of men in specific ways that have brought to its present meaningfulness.

Critically, most scholars, oblivious of this crucial epistemological issue, are culpable for *essentialism*, as they tend to de-contextualise (and de-textualise) the many words for ‘money’ and treat them as mere synonyms, historical expressions of what they *make of* current money on the strength of the idea, irrefutable and irresistible, that all these words stick to forms that (despite their peculiarities) essentially enjoy the same *moneyness*: a truth that *transcends* their historical specificity. This truth is thus placed at the foundation of some definition of money that normally dismisses the complex problematic of its institution, and namely how it brings a unity of (identity and difference of) value into being. On the contrary, the terms of the question are reversed so that a *prior* identity – and namely an exchange of equivalent values – appears as instituting money and not vice versa. Put it simply, value is assumed to be *given*, and prior to money. As a result, the

[38] This can be seen as a variant of Benedetto Croce’s famous aphorism: “all history is contemporary history, that is to say that people in different times and places look to the past in the light of the problems they confront in their present” (quoted in Cox, 2002: 44).

factum of the institution of money is fixed into the *datum* of an abstract *essence*, or *nature*, manifesting itself into *a-historical* and *pre-political* features of social life (such as exchangeability and commensurability).

Because of this essentialist fallacy, ontological primacy gets normally assigned to a universal *essence* that identifies at once a universal *function* and *purpose* as well as a universal *substance*, giving altogether shape to a universal *form* of money which is said to perform throughout history without exception. Needless to say, under these circumstances history is no longer the *con*-text but a *pre*-text to legitimise a supreme truth and perennial philosophy of money. When this happens we witness the birth of a most dangerous philosophy of history: a 'historical universalism' (i.e. the idea that all history is the same), often coupled with a 'rationalistic finalism' (i.e. the idea of Historical Necessity, and namely that 'all that is real is rational'), blending together the worst aspects of structuralism and functionalism, and namely their incapacity, from respectively an objectivist-systemic and a subjectivist-behavioural perspective, to make sense of how forms historically *change*. Indeed, under the epistemological arrangements of a structural-functionalist type a change of forms is never *explained* but is at best *justified*, often by recurring to teleological argumentations about the progressive historical unfolding of the 'purest' type of the form[39].

Admittedly, both the orthodox and heterodox traditions of economics have shown an essentialist attitude and a positivist mentality towards the money phenomenon (though with different degrees). On the one hand, the orthodox envisages in the commodity the true form of money; accordingly, it identifies the substance of money with merchandise (wealth) and its primary function – proxy of its essence – with the medium of exchange. Finally, as a corollary, the orthodox sees money as a creature of the market. The heterodox position, on the other hand, argues that money is a form of credit/debt, hence a promise of payment substantiated by trust. From this alternative perspective, the purpose of money is to measure the value of debts so as to enable the final settlement of obligations; accordingly, money is first of all the money of account (and then the means of payment), a function that must be necessarily instituted by an authority (not by the market).

The major limit of this transversal *modus operandi* is that, by identifying an *essence*

[39] See for instance Simmel's argument about "the historical development of money from substance to function", that is, from material money to credit money (Simmel, 1990: 168-203), or Ingham's modes of monetary production culminating with the *pure* capitalist credit-money system (Ingham, 2004: 78).

with a *function* and a *purpose*, it paradoxically makes irrelevant both the *finality* of the thing whose essence is in question and the *finalities* of those who happen to handle such a thing. The *dead end* of the essentialist way is precisely 'technological determinism' which, notably, might also assume the more sophisticated contours of an 'institutional evolutionism': either way we face an underlying refusal to question the *propriety* of an institution, for the latter is considered as the by-product of transcendental, technical and neutral *properties*, or the stratification of historical habits, propensities and cultural traits which are assumed to be responsible in the last instance for determining the course of human 'agency' as well as the 'structure' of social relations. Critically, by leaving no room for discussing the *appropriateness* and *justness* of an institution – and namely what should be its *proper* purpose and why – this epistemological stance de facto delegitimizes, or even annihilates, political and ethical concerns. This is why most of today's intellectual battles about the nature and purpose of money, to use the wise words of William Faulkner, *are not even fought, and the field only reveals to man his own folly and despair, and victory is an illusion of philosophers and fools*.

Now, provided that essentialism, in its many ramifications, *does no justice* to our understanding of the money phenomenon, this does mean that we ought to drop each and every definition of money and get away with whatever notion of essence. Even if we would, we couldn't because "[w]ithout some concept of essence, we are unable to make categorizations of sameness and difference that are basic to science" (Hodgson, 2001: 35). When we think in terms of essence, we resolve the *becoming* of an institution onto its *being*, which is tantamount to abolishing time and neglecting the historical emergence of the Other – in short, we become unable to make a theory of social and institutional change. The idea of 'essence' is a fetish, an idolised representation of the actual identity of forms brought about by the institution, because this identity is in fact a unity of sameness and otherness. That is to say, in reality, not only do institutions bestow sameness, but by the same token they also bestow otherness. The dark side of institutions, however, is bound to remain in a state of negation, a Nothing that nonetheless is instituted and given a form, imaginable as *other than* Everything and Anything. Nothing ought to be instituted in order to be *omitted*, de facto serving as an ellipsis of the Other in the social (con)text. This allows us to *rationalise* the tensions and contradictions that we normally experience, ground ourselves on a stable plane, perpetuate the status quo.

Rationalisation, however, is fundamental *illusory*. To 'rationalise' means: to bring into accord with reason or cause something to seem reasonable; to attribute (one's actions) to rational and creditable motives without analysis of true and especially unconscious motives; to provide plausible but untrue reasons for conduct. When we rationalise, *we accept sameness as a revelation* so to speak but, critically, such an acceptation/preservation of the order of things does not really provide a resolution to the contradictions that we daily endure in the praxis; on the contrary, it further perpetuates the many hiatuses that we experience between what is true and what is real, among which is the epistemological hiatus between 'value' and 'another value' – and hence, ultimately, *between value and value*. We *forget* that the institution of money is the institution of conflicting politics of value – i.e. of a confrontation with the Other – and so the struggle between value and value – i.e. the battle of man with man – gets dissolved in the standing waters of an illusory normality that reads: money is money, and nothing can be done about it.

But then, how can we grasp the historical specificity of money if we are bound to experience it as a universal form all along? And how can we distinguish among money-forms if we are doomed to sameness? This immediately redirects us to the 'problem of universals', first raised by Plato in his theory of forms, and calls for the following consideration: provided that we cannot safely assume a universal truth about the ultimate social function/purpose of money as an ontological premise without incurring into the risks of a sterile universalism and, in the background, of technological determinism (and institutional evolutionism), neither can we simply dismiss a priori *the fact of a trans-historical recurrence of money*, as traceable in the intellectual testimonies of inherited thought. That is, we cannot neglect the persistence of an *identity of signification* – a *significance* – behind all monies that seems to cut across history, like a Universal that let us connect in the same discourse and subsume under the common *denominator* 'money' entities (figures, words, forms) that have existed in different contexts and times.

After all, says the poet, *every coin in the world is a symbol of those famous coins which glitter in history and fable*. By this I mean that whenever we say 'money' we express a common sense, a knowledge that tacitly enfolds a constellation of meanings, starting from and surrounding the central signification 'money', that ramify in interrelated (hi)stories: it is a social imaginary, a magmatic fluid capable of holding together texts as different and distant in time as *nomisma, moneta, argent*, but also Charon's obol, Judas' thirty shekels,

and the inexhaustible penny of Isaac Laquedem – *the whole of them convening in one, in the name of money.* We cannot depart from this common sense. As tacit as it might be, it resounds in our conscience, irresistible, whenever we speak the word.

The singularity of money

What a puzzle. Attempting an analytical identification of money's unifying essence is bound to give birth to an essentialist ontology and therefore to a positivist epistemology incapable of making sense of how and why money, as an institutional form, changes. And yet common sense tells us *immediately*, that is, in an apparently un-mediated fashion, that 'money is money' – whence we cannot escape from the intuitive truth of this identity that bestows universality to our experience of it. *Money is one*: this is what *naturally* and *normally* comes to mind at first. However, at the same time, apparently imperturbable, reality leaves traces *all the time* of the existence and interchange throughout history of countless monies with different shapes, substances, purposes. Contra common sense, reason tells us that these monies are always historically-specific, always particular and particularised. As a result, though in truth (in subjectivity) *money is one*, in fact (in objectivity) *money is manifold*. This tension – in fact, this contradictory experience or 'dialectic' – between truth and reality and, in particular, between *what is known to be true* and *what is comprehended as real*, is continuous source of alienation. We know that 'money is money' and hence 'the one and only', plain and simple. Yet we understand that the value we assign to money varies from person to person, from context to context, so that in the end money appears as manifold and complex a phenomenon. As a result, "in our everyday practices, we are capable of grasping money as both universal and particular *at the very same time*" (Konings, 2011b).

Perhaps a way to make a breach into the enigma of money is to further go 'down in the hole' and recognise that not only is money 'historically specific' but it is also 'socially contextual': that is, not only does the meaning of money change *diachronically* from a historically-specific social system to another, but it also changes *synchronically* from a social transaction to another (occurring at the same time in the same social system), and it may even change within the same social transaction (as counterparts may be motivated by completely different reasons). In this respect writes Zelizer (2011: 89): "people employ

money as a means of creating, transforming, and differentiating their social relations. Instead of a single, fungible money that reduces social relations to a thin common denominator, they show us the integration of differentiated monies into the whole range of interpersonal ties. As a consequence, people are constantly creating new monies, and they do so by segregating different streams of legal tender into funds for distinct activities and relations". In short, within the same context of social interaction, and even within the same transaction, people 'earmark' money for different *purposes*, de facto attributing specific meanings to it (Zelizer, 2011: 90). As Konings (2011b) sums up, "the meaning of money is always and necessarily refracted through the specific configurations of social connections in which it is embedded", so that "[r]ather than a singular money, we have multiple monies, each marked by concrete, localized patterns of social interactions" (Konings, 2011b).

At first, the problem of social contextuality seems to merely suggest that, besides taking into account the historical specificity of the social *whole* to which money belongs, and therefore the *cosmos* in which money is entangled, we pay greater attention to the very context of the social *relation* of which money is the central signification, so as to better understand the *chaos*[40] that money generates in the praxis. But this is only the tip of the iceberg. Indeed, the recognition that there is no such a thing as 'one and the same money' *in the very same context* but only a chaotic plurality of meanings refracted in its contingent (multi)form, far from denying the universal character of money (and hence the possibility of outlining a *cosmology* of money), points directly to the *particularity*, or universal uniqueness, of its 'being-thus'. Indeed, at the contextual level of the money transaction our understanding cannot be said to be split between a 'universal' and a 'particular' money, for here there is no room for consciously *reflecting*. Instead, in the heat of the moment, that is, *in action*, money, like an emblem, "incrosta nell'uomo un segno…che gli ricorda che qualcosa lo oltrepassa o lo governa, ma con il quale egli entra in relazione" (Legendre, 2005: 20). Eventually, within the money trans-action uniformity and difference are experienced at once as a *unity of value*, so that unequal things can be thereby exchanged as if they were equivalents (i.e. of equivalent value): the wonder of the *exchange of equivalents*.

[40] Please note, chaos, from the Greek word *khaos* did not originally stand for 'disorder' but referred to the 'abyss', the 'primeval emptiness of the universe' (Hesiod), 'the void at the origin of Creation' (Genesis), the 'hiatus' (see Legendre, 2005).

In this respect, it is worth noting that according to Saussure, in linguistics (semiology) “as in political economy we are confronted with the notion of *value*: both sciences are concerned with a system for equating things of different orders” (quoted in Silverman and Torode, 1980: 254). And it is not a coincidence that Zelizer recurs to an analogy with language to explain the absence of contradiction between uniformity and difference as reached in the money trans-action. As she writes:

> [s]een from the top, economic transactions connect with broad, national symbolic meanings and institutions. Seen from the bottom, however, economic transactions are highly differentiated, personalised, and local, meaningful to particular relations. No contradictions therefore exists between uniformity and diversity: they are simply two different aspects of the same transaction. Just as people speak English in a recognisably grammatical way at the same time that they pour individual and personal content into their conversations, *economic actors simultaneously adopt universalising modes and particularising markers* (Zelizer, 2011: 130-1, my italic).

In effect, money appears as performing in exchange like a ‘living language’ whilst spoken: it is simultaneously a *langue* defining a syntax[41] (a grammar, a code, a universal norm or ‘measure of exchange’ that enables a social ordering of values) and a *parole* defining speech (a particular claim-form that activates the potential inherent to such a norm). In particular, as we speak ‘money’ at the critical interval of the money transaction, the ‘universalising mode’ of the money-syntax is *activated* by (and *incarnated* into) the ‘particularising marker’ of the money-word, so that the synchronic and diachronic moments of the money-language come to finally envelop each other (*and the verb is made flesh*).

Like language, money thus denotes a system of signs (values) that seem to be immutable (fixed like prices) but which are in fact systematically mutating (variable like purchasing power). Using Castoriadis’ words (1997: 353), it could be thus argued that money, like a language, “is such only inasmuch as it offers speakers [i.e. the bearers of money] the possibility of taking their bearings in and through what they say [i.e. what they exchange] in order to move within it, to base themselves on the *same* [i.e. the exchange of equivalents] in order to create the *other* [i.e. new value]”. For in the same way as language

[41] Notably, the word *syntax* comes from the Greek compound word *suntaksis (sun*: ‘with’, ‘together’ + *taksis*: ‘arrangement’), meaning ‘an ordering together’.

as *code-syntax* provides the ground for its historical transformation as *langue* by means of *parole,* so money as a *norm*[42] provides the ground for the historical transformation of its *form* as money by means of new *value* (what in political economy goes under the name of 'capital'). And so, in each of its synchronic, that is, *current*, instances, a money-form is *being* insofar as it is *becoming* something other than itself: it is a *value* turning into *another value.*

Hence, the *universal particularity* of money corresponds to its contextual ability to account for the creation of the other; put crudely, money is always an undetermined form open to radical change. I shall term this peculiarity the *singularity* of money. The notion of 'singularity' is partially borrowed from 'natural sciences': mathematical singularity, for instance, defines a point at which a given mathematical object is not defined or not well-behaved, for example infinite or not differentiable. Similarly, gravitational singularity defines a location with infinite density and zero volume, a place where 'space' and 'time' cease to exist as we know them. This happens for instance at the core of a black hole where space-time has infinite curvature (i.e. space *is* time) and matter is crushed to infinite density under the pull of infinite gravity. In this context, singularity of course matters with time; however this time is not sequential, chronological, identitary time (like calendar time or mathematical time) but is a significant time, a "time of doing", a historical time. In this respect, writes Castoriadis (1997: 212),

> the time of doing would not be a time of doing and would not even be a time at all, if it did not contain the critical moment, the *singularity* (my italic) which does not exist 'objectively' and which will become so only by means of and for the appropriate doing, its occurrence as such and the point of its realisation on the calendar being neither certain nor predictable. […] In short, this is what the Hippocratic writings call *kairos*, in terms of which they define time: […] 'time is that in which there is *kairos* (propitious instant and critical interval, the opportunity to take a decision) and *kairos* is that in which there is not much time'.

Hence, in context, that is, at the critical interval of the money transaction (*kairos*), "synchrony is intrinsically diachronized and diachronizing, just as diachrony is intrinsically synchronized and synchronizing" (Castoriadis, 1997: 216). This means that

[42] As I will argue in the next chapter, the monetary norm is not one that merely denotes the 'exchange of equivalents' but one that connotes 'a measure to exchange for an exchange with measure', and namely *equality in exchange*.

when performing in exchange, money, like a black hole, explodes the context by bringing together in the rush of the moment space and time, bursting meaning out, opening up the context in manifold ways, explicating its relatedness to the whole. In so doing, what money ultimately does is to institute a meaningful link between the social relation and the social whole, between the one and the many. *The singularity of money thus consists in its ability to bring historical time and space together in context in unique ways that transcend the context itself, de facto enabling the creation of a definite space and a due time, and hence the creation not just of a single context, but of a hyper-context, a discourse and, ultimately, a history of sociality.*

In particular, money transcends the context in a twofold sense. On the one hand money breaches through the time of the context by meaningfully connecting present and future in a certain way that "lulls our disquietude" (via discounting) whilst reciprocally projecting the meaningfulness of the past, as engraved into its emblem and manifested in its 'mark of authority', into a *current* existence. In money, past, present and future partake of the same course. We may term this transcendental property 'diachronicity', 'trans-historical specificity' or simply 'trans-historicity'. On the other hand, money breaches through the space of the context by providing a connection between the particular socio-economic transaction and the whole of monetary 'exchanges' constituting the social order. We may term this transcendental property 'synchronicity', 'trans-contextuality' or else 'hyper-textuality'.

And so, money cannot be seen as a *material*[43], a historically-determined *product*, but ought to be intended as a *transcendens*, a transcendental entity that, if anything, *makes* history and not vice versa. To be sure, to say that money is all in all transcendental – trans-historical and hype-textual – is not the same as saying that money is 'above' or 'beyond' history and context. Trans-historical does not mean a-historical, hyper-textual does not mean pre-textual, and transcendental does not mean abstract: the transcendent is not loosened from (or freed from) what it transcends, but rather *embraces* it. The *veritas transcendentalis* (Heidegger, 1962: 62) of money lies precisely in its singularity, that is, in its capacity to embrace the Universal – the *whatness* or 'quiddity' – and Particular – the *thisness* or 'haecceity' – in a *unity* that punches a (w)hole in truth whenever the 'verb' of money is made 'flesh', as in the exchange of equivalents. And so, money is *in truth* a

[43] We must never forget that a material is a measurable matter, and money is not measurable (see chapter 5).

puzzling ‘what is this’, a (w)hole lying in-between.

“What is this?” “I dunno man, I didn’t do it, but trust me: it’s all about politics”

When I say that money lies ‘in-between’, I am referring to an epistemological hiatus, and a phenomenological conundrum, that the most basic human question – ‘what is this?’ – brings about in the world without ‘solution of continuity’. ‘What is this?’ is the most normal of questions and yet the most absurd, because, as American philosopher Alfred Korzybski put it crudely, *whatever we say a thing is, it isn’t*. As Bohm (1987: 8) pointed out in this respect,

> [f]irst of all, whatever we say is words, and what we want to talk about is generally not words. Second, whatever we *mean* by what we say is not what the thing actually is, though it may be similar. For the thing is always *more* than what we mean and is never exhausted by our concepts. And the thing is also *different* from what we mean, if only because no thought can be absolutely correct when it is extended indefinitely.

Money is an *index sui*, an idea of money, a thought-relation with the Other crystallised into an institutional form, *a manner of thinking a thing*. But money is not the *thing* already. And so, what is money? What is an *eidos*? An *eidos*, it has been suggested before, is not merely an instrumentality of man but, most importantly, a finality of social life. Through *eidei* we are able to empower our agency, structure our world, and *realise* ourselves. The peculiar trait of the *eidos* is precisely its *purposefulness*, its ability to *signify in a sense* our experience of the world. Crucially, of all *eidei* money is possibly a most purposeful and most significant one and, needless to say, it shows strong *analogies* with another key *eidos*: God. As Simmel (1990: 236) argued in this respect, money “*as the unifying point of innumerable sequences of purposes*, possesses a significant relationship to the notion of God (my italic)”.

> Insofar as money becomes the absolutely commensurable expression and equivalent of all values, it rises to abstract heights way above the whole broad diversity of objects; it becomes the centre in which the most opposed, the most estranged and most distant things find their common denominator and come into contact with one another. Thus, money actually

> provides an elevated position above the particular and a confidence in its omnipotence, just as we have confidence in the omnipotence of a highest principle to grant us the particular and the baser at any moment and to be able to transform itself into them (Simmel, 1990: 236-7).

More specifically, money and God are specular forms: "[w]here God promises eternity, money promises the world. Where God offers a delayed reward, money offers a reward in advance. Where God offers himself as grace, money offers itself as a loan. Where God offers spiritual benefits, money offers tangible benefits. Where God accepts all repentant sinners who truly believe, money may be accepted by all who are willing to trust in its value" (Goodchild, 2007: 12). Both money and God 'testify' that *truth can never be told so as to be understood, and not be believed*[44]. In money's case, we have seen, truth is the 'being of value'; in God's case, truth is possibly the 'value of being'. Either way, the *eidei* of money and God, like emblems, carve a sign into men that reminds them that something transcends and governs them, and yet it establishes a relation with them (Legendre, 2005). The terms of causation are here inversed because this transcendental 'something' is experienced as a fetish: upon questioning the *eidos* and asking 'what is this', men cannot but acknowledge that they don't know, because they didn't do it! *Thus men forgot that all deities reside in the human breast.*

To comprehend a truth, we ought to deliver it back to the nothing where it properly belongs: stated differently, we only comprehend a truth when we eventually overcome it. To this purpose, we must necessarily make a phenomenology of truth, that is, a discourse on the edge of the abyss in which truth can finally unfold as a *unity of analogy*, a metaphor of that peculiar reality that we experience as normality. A discourse of the phenomenon, however, is never 'neutral' but is itself finalised and hence it necessarily delineates a politics. Critically, a phenomenology that does not purposefully aim to outline a political discourse is not a proper phenomenology but an apology of the phenomenon, and a surrendering to the aesthetics of the phenomenon. This is particularly obvious when we confront money. As it has been argued so far in many an occasion, money is able to *stand for* (as a measure and a medium) because it is socially recognised as being *worth (for)* – worth for doing/making in a meaningful, political way – in a way that even those who may repudiate the political purposes that it serves cannot but acknowledge its objective power

[44] Again, William Blake, *The marriage of Heaven and Hell*.

to serve political purposes. Notably, even if the purpose of money may change from agent to agent, and from context to context (e.g. serve public rather than private interests or certain private interests instead of others), its purposefulness nevertheless remains a *universal* trait. Namely, whenever a certain money is used in an economic transaction, a unique political action is brought to an end and the social order is consequently transformed. *Money, in short, enables the actuation of a plurality of political projects, undeterminable in their scopes, but recognisable as analogous, and therefore equally valid.*

And so, in the end money *is* value. This, in a nutshell, is the transcendental truth of which money is the emblem. This truth, like a wave of energy, is carried from man to man and from situation to situation: it circulates, de facto structuring an identity of signification that cuts across social contexts and histories – we may call it the *significance* of money. Put crudely, whatever we do with money, even if we are *prima facie* accumulating it for the sake of it, we are doing so in view of something *other than* money itself, and this something involves private as well as collective (public) affairs, hence power and politics – for money is that peculiar thing that enables the actuation of political projects in a society. *In the name of money* we can convey, juxtapose, proportion, alienate, articulate on the same plane – into the same social order/hierarchy – values and, from there, we can produce other values, *new* values. And so, through money not only can we access a shared, imaginary dimension for the commensurability and exchangeability of values but, most importantly, we are able to provide new *reasons* for making our political actions worth in the manifold contexts of sociality. In other words, money offers its bearers the possibility of taking their bearings in and through their daily transactions in order to move within them, to base themselves on a monetary norm – an ‘equality in exchange’, or else an ‘exchange with measure’ – in order to monetize their power in new activities of value that will transform society.

But the singularity of money suggests us something even more significant about its *veritas transcendentalis*: as an *eidos* money is trans-historical and trans-contextual but is nevertheless always a ‘what is this’; that is to say, it is always *this* money, *this* form that exists in the present (dis)course that we can only ever interrogate and know. It is *this* money that means to us; *this* money that we can exploit to achieve our purposes; *this* money that we can change. ‘Money’ is in other words a *living signification*, and in this

respect we must always bear in mind that the Anglo-Saxon term ‘money’ comes with a social text, that is, it denotes a context as well as connoting a discourse that is currently ‘spoken’ predominantly by Anglo-American finance. And so, a science of *this* money can only develop in full awareness as a politics, that is, an ontology inseparable from the epistemological problematic, because the nature of its subject-matter is a *significant* nature in its becoming; namely, it is a nature that (be)comes ‘with a text’ and which therefore requires that we *understand* the manifold reasons behind its political purposefulness. Our motto shall be: t*o money itself: let's speak politics!*

CHAPTER 5

Against nature: money *out of nothing*

A brief phenomenology

Forse l'essenza del nichilismo consiste nel non prendere sul serio la domanda sul nulla (Heidegger, in Amato, 2010: 18)

Nullius in verba (Royal Society's motto)

…analogy implies an effect on Nature: it constitutes the 'natural' as a source of truth; and what adds to the curse of analogy is the fact that it is irrepressible: no sooner is a form seen that it *must* resemble something: humanity seems doomed to Analogy, i.e. in the long run to Nature (Barthes, quoted in Silverman and Torode, 1980: 247)

Money comes from nothing and out of nowhere to institute a peculiar identity of form, a norm that gives a certain measure to exchange and hence enables a certain 'exchange with measure'. The institution of this norm is normally resolved in the assumption of a principle of conservation in political economy, called *exchange of equivalents*: in capitalism no thing is created, no thing is destroyed, but every thing is exchanged, and this entails change (in its romanticised version, *progress*). The exchange of equivalents is exemplificative of the normality of the money phenomenon but, as its has been argued in the previous chapter, normality is glowing and makes us blind unless we purposefully wear special glasses – the glasses of theory – to see through it and spot the inner 'hole' of normativity out of which the normal comes out. In money's case, this normativity is summed by the transcendental truth that money *is* value. This, in turn, means that, put crudely, what gets equalised in the monetary exchange are not things but *values*. In other words, the exchange of equivalents is *in fact* the institution of an 'equality of value in exchange', that is, an 'equality of men in exchange'. In what follows I shall refer to this normativity as simply *equality in exchange*.

The fact that money possesses a normative character is perfectly epitomised by the notion of ‘fiat money’ which today stands as the technical term for describing money’s substance. As the story goes, the suspension of the dollar convertibility into gold in 1971 has ratified the apparently incontrovertible truth that money is *nothing but* an intrinsically worthless token issued ‘by fiat’, that is, created by decree through the sanction of a sovereign authority – “by the sheer force of a demiurgic word” (Amato and Fantacci, 2012: 88). In the concept of ‘fiat money’ are condensed the most enigmatic and paradoxical aspects of money’s normativity, and namely: negativity, self-referentiality, and futurity. First, fiat money is created ‘out of nothing’, *ex nihilo.* Second, fiat money is a token that can only be converted in…itself: namely, it is a promise of payment in money serving as a means of payment, a self-referential promise of the promise *ad infinitum*. Finally, fiat money is a legal tender, that is, a currency valid for meeting tax obligations, debts and payments due[45]; in other words, fiat money is created with a view to future final settlements and yet it is constructed in a way that it ends up procrastinating indefinitely, in the ‘long run’ (when, according to Keynes, we are all dead), the mutual remission of debts.

Fiat money, in other words, is a norm that obeys the norm it itself represents (recall Simmel). What does this imply for a theory of money? First of all, a norm does not ‘describe’ but, if anything, it ‘prescribes’. Accordingly, money cannot be said to merely provide a ‘nominal’ *description* of ‘real’ variables, as a neutral veil of commodities and an abstract accounting device. This said, can we argue by contrast that money, as a norm, is *prescriptive*? Prescriptions are norms that can be formulated in a deontic vocabulary – what John Commons (1924: 6) called ‘working rules’ about “what the individuals *must* or *must not* do (compulsion or duty), what they *may* do without interference from other individuals (permission or liberty), what they *can* do with the aid of the collective power (capacity or right) and what they *cannot* expect the collective power to do in their behalf (incapacity or exposure)”. Money, however, is not a bundle of working rules for the simple

[45] It is worth noting in this respect that, according to Commons, the theme of ‘futurity’ was intimately related with value and property on the one hand, and with law and hence normativity on the other. As he argued, “[f]uturity is common to the sciences of law and economics. […] We have, both in economics and in law, many terms indicating this futuristic aspect of Time, such as motive, intent, purpose, wants, desire, security, investment, property, assets, liabilities, interest, capital – in fact, the concept of Value itself, on which economic theory, as well as legal theory, turns, is a synthesis of all these other concepts of futurity and, as such, is always a concept of the present importance of things and persons and classes of persons in view of their expected uses and behaviour in the immediate or remote future (Commons, 1996: 331-332).

reason that it does not prescribe what we may, can or cannot, must or must not achieve with it. *Theoretically,* regardless of what the law actually prescribes, we can use money to pay our taxes or hoard it in offshore heavens, invest it in green-field business activities or bet it in financial markets. We can pursue power or virtue, or both – that is, we can establish our own path to 'the good and the highest good', articulate our own dialectic of the 'utilitarian' and the 'moral', construct our own notion of the 'proper'. *Practically,* what we *can* do with money only depends on the actual political power we bear, the amount of claims that we are in the position to lay against the entire world *to vindicate the autonomy of our own actions from others, from society and everything else*. In short, what we can achieve with money only depends on…money.

And so money is neither a description (a neutral denomination) nor a prescription (a norm that regulates an activity that exists *a priori,* independently of it); instead, more properly, money is a "constitutive norm" (see Searle, 1995; 2005), a 'rule of the game', an institution that enables the very actions that it is said to regulate. For without money there would be no tax obligation to pay, no financial asset to gamble with, no offshore market, *no economy to begin with*. Also, there would be no understanding of power in its relatedness with virtue and justice, no sense of the utilitarian in relation to the moral. In short, we cannot derive money from a normative 'framework' that is logically prior to it, because it is in the praxis of money transactions that working rules for socially relating are moulded and a (legal-moral) political economy gets accordingly constructed. Hence, in order to know where the law (jurisprudence) and society are heading we must first of all understand money and not vice versa.

Once more, it is important to point out that the 'rules of the game' cannot be established by some logically prior Platonic demiurge, nor can the dictionary be written by a superimposed authority, as Keynes famously argued in the first pages of his *Treatise on Money* (see chapter 2). As Frankel reminds us (1977: 43), "[i]t is not true that the State or any other authority can either enforce or write a dictionary, even if it wished to do so. A dictionary is not created by an author like a novel or a scientific work. A dictionary is a collection of words which *society* has created in the past and is continuously creating and re-creating in the present and the future". As a rule for writing a dictionary called 'political economy'[46], money is a norm for socially relating whose content is shaped by the very

[46] Here 'political economy' does not stand for the academic discipline but for its object of reflection: the political society of a commercial type based on a monetised economy.

relations that it enables: it is at once the medium *and* the message, the measure *and* the value upon and through which negotiation can occur among *legally equal* parties (i.e. parties that are *ligated* together as if they were equal).

I will devote this chapter specifically to an understanding of money's normativity, hoping to shed light on what lies in the *shadow* of what mainstream economists term 'exchange of equivalents', and which I here choose to call 'equality in exchange'. In particular, in order to emphasise the *limits* of *positivism*, I will pay special attention to the theme of *negativity*, that is to say, to the topic of money's emergence 'out of nothing'. In this respect, I will stress the importance of the notion of *logos* for a thorough understanding of institutional genesis. To be sure, my final aim is not only epistemological (qua phenomenological per se) but also methodological as I intend to set up with the *logos* a peculiar 'unit of analysis' capable of overcoming the limits of both agential and structural methodologies and, more generally, capable of solving the manifold dichotomies (not only the agency-structure one) that fracture our current common sense and which are rooted in the positivist mentality.

Of these, one in particular will be regarded as especially relevant. I am talking of the so-called Great Dichotomy originated in the classical (empiricist) tradition of political economy set by Hume and Smith: namely, the separation between 'real' economic analysis and 'nominal' monetary analysis, paralleling the ancient Platonic distinction between the Thing and its Idea. The real-nominal opposition is significant because it mirrors a more fundamental separation between 'politics' and 'economics' (Nitzan and Bichler, 2000; 2009), which is in turn indicative not only of a fracture between political thought and economic analysis in the current academic world but, most importantly, of a subordination of the former to the latter, reaching a paroxysm with the Pyrrhic victory of mainstream economics (including Keynesian economics) in the XX century. Upholding 'economics' over 'politics' means that political agency – that is, social power – gets normally treated as an epiphenomenon of economic imperatives of an either 'structural' or 'behavioural' nature. This is true for classical and neo-classical theories but also to a great extent for Keynesian and post-Keynesian ones, though in this case the neutralization (i.e. de-politicization) of monetary theory takes on new paths (see part I).

The politics-economics divide and the fragmented understanding of the political economy of which this divide is the most basic expression are the consequence of two

related tendencies in the modern science of money: first, a neglect of the *ontological problematic* – the question of the significance of the institution, which I have sketched in the previous chapter – and the consequent naturalisation of epistemology, i.e. ‘positivism’. This ontological neglect is also known as “epistemic fallacy” (Bhaskar, 2008): the belief that statements about being are to be interpreted as statements about knowledge. In this context, the epistemic fallacy has to do with the fact that critical political questions about money are routinely translated by monetary scholars into barren economic terms. The second tendency concerns a transversal neglect of the *historical problematic* – the question of institutional and social change, which also has been partially dealt with in the previous chapter. This question is of course related to the ontological problematic for a very simple reason: a reflection on the *being* of institutions, to be thorough, must necessarily lead to an understanding of their *becoming*. In this respect, it must be said that, critically, though modern science has brought about the proliferation of a number of theories of money, most of them remain aridly over-generalising, unable to account for historical change and thus largely irrelevant for a proper understanding of the institutional phenomena (among which money) they claim to investigate and explain (see Hodgson, 2001) – this, in spite of their potential *performativity* (see MacKenzie, 2006).

As a result of this complex intellectual fracture, much of modern monetary thinking is *lying*, torn apart in the belly of a dormant Leviathan-like[47] science – actually, a secularised religion with its own priesthood – instrumental to an élite project of social control, *subtly serving the technocratic purpose to neutralise politics, that is, naturalise economics and legitimise a certain capitalist ethos and ethics.* The fracture between politics and economics is reproduced in countless domains: not only as a breach between the real and the nominal, but also as a disconnection of the descriptive and the prescriptive, the economical-utilitarian and the ethical-moral, the natural and the social, the material and the ideal, the actual and the potential, the subjective and the objective, the agential and the structural, and so on. In what follows I will try to breach through the surface of these interrelated dichotomies and descend deep into the multifaceted discursive crack that they demarcate in inherited thought: I will thus investigate the very nature of the abyss that divides our current understanding of money, explore the Nothing out of which it allegedly emerges, and search for its *logos*, that is, the ‘rationality’ underpinning the normativity and

[47] Leviathan is a biblical sea monster that lives in the Abyss, a “wriggling serpent” of an enormous size that will be killed at the end of times.

clothing the normality of the money phenomenon. By so doing, I will tackle the so-called ‘is-ought’ problem in a way that will hopefully overcome both naturalistic and moralistic perspectives on money’s normative character – namely, *positivist false dilemmas* about what money *is and does* and what it *ought to be and do.* Inspired by a re-reading of Aristotle’s writings on *nomisma* (as in *Nicomachean Ethics* and *Politics*), I will set the ground for establishing a methodology of money that will not impinge upon, but rather *enhance,* a discussion on the political themes of ‘the good and the highest good’, the ‘virtuous’, and the ‘just’ in their relatedness to money, its (virtual) circulation and (re)distributive justice, aiming for the recovery of a shared *unity of understanding.*

Positivism, or the belief in the autonomy of the norm

By positivism I refer to an epistemological disposition to downplay altogether the trans-historical character of institutions (see previous chapter) and the significance of their changing forms by reducing their phenomena to some a-historical, impenetrable rationality, law or logic. In so doing, positivism “tends to split science and history as if they are different orders of explanation, one being theoretical, the other being descriptive” (Knafo, 2010: 496)[48]. Positivism, in other words, involves the crystallisation of reasoning into some onto-logical identity, a *datum* that freezes metaphorical imagination by congealing *relations* into objects, de facto preventing an understanding of how, at any level (not only at the social one), relations lead to (in the sense that they are bound to *embrace* and *comprehend*) radical otherness and thus social and institutional change. In this respect, a typical positivist understanding of institutions is one that does not contemplate *explaining* how and why institutions change but is rather preoccupied with *justifying* their current existence – the latter being normally fixed into some essence (existence/being = essence/being) defining the gap between ‘what is’ and ‘what ought to be’ about them.

Perhaps it is not a coincidence that a first formulation of the ‘is-ought’ problem, announcing a nascent separation in modern thought between a materialist type of science (a discourse of ‘what is’ focusing on the descriptive, the empirical, the rational, the analytical, the utilitarian) and an idealist type of philosophy (a discourse of ‘what ought to

[48] As Knafo (2010: 495) has argued, positivist approaches seek to generalise laws of social development and thus tend to reify social reality and present it as a ‘normal’ or ‘natural’ order. As a result, positivism presents social “structures in apolitical ways, as if structures transcend power relations” (ibid., 496).

be' focusing on the prescriptive, the metaphysical, the logical, the synthetic, the moral), is generally attributed to Scottish philosopher and political economist David Hume, a founding father of classical empiricism and a major advocate of a deeply positivist vision of science (see Bhaskar, 2008). Throughout Hume's writings on the political economy one can envision a persistent disarticulation of the real and the nominal – though "not fully developed or even fully intended" (Schabas, 2008: 128) – which is particularly evidenced in his ambivalent view of money.

Hume's thinking on the matter is "notoriously protean, frequently escaping our grasp and defying our best attempts to articulate it" (Wennerlind, 2008: 105). In effect, taken synthetically, his conceptualisation shows an inconstancy between what money is *in theory* (prescriptions about how money *should be* 'properly', that is, *ontologically*, understood) and what money does *in practice* (descriptions of how money *is* 'actually', that is, *phenomenally*, experienced). On the one hand, Hume invites us to think of money as a neutral veil, the "oil of commerce" as he says; on the other hand, when he analyses money in conditions typical of an economy out of equilibrium – that is, in the very much real 'short term' – Hume suggests that money may function as a non-neutral, performative value (see Arnon, 2011: 15-17; 25), i.e. a social form capable of autonomously affecting the economy. Some regard this ambivalent view as a symptom of logical inconsistency; others see it as the genius of a "methodological pluralism" (Wennerlind, 2008: 105) whose greatest merit, to be sure, is to be found not so much in the questionable originality of its theoretical findings as in its capacity to produce an analysis of "money as a social relation embedded in a larger societal and political context" and "his systematic examination of the complex roles that money plays in the constitution and dynamics of the modern polity, society, and economy" (Wennerlind, 2008: 123).

It is important to point out that Hume's monetary thinking was part of a political reflection that evolved mainly as a critique of Mercantilist policies. Briefly, mercantilism promoted the pursuit of a surplus in the balance of payment, and hence the accumulation of bullion by the state. Against this idea, Hume argued that surplus was impossible to sustain indefinitely because international (market-driven) counter-forces would eventually neutralise the surplus nation's favourable unbalance. Instead of focusing on the accumulation of the money stock, as if money *in itself* could signify wealth, nations should concentrate on the growth of industry and commerce with the purpose to enhance

international trade, because the latter is the real locus of a nation's wealth. Hence, for Hume what is really *at work* in the creation of value by a nation – in the valorisation of its stock – is not the accumulation of bullion per se, because here more money would simply imply (*ceteris paribus*) higher prices, but a universal *mechanism* underpinning its harmonious association with other nations: the price-specie-flow mechanism. Needless to say, the price-specie-flow mechanism is assumed to be 'given', *positive*, like a rational and objective force that will always underpin international trade and create wealth *in an apparently autonomous fashion*. That is, nations may lever this mechanism to their own purposes but they cannot change the way it works: and so, sooner or later they must surrender to the mechanism, *trust* it, and *accept the normality of international free trade*.

Crucially, Hume grants a degree of 'ontological autonomy' also to money, de facto recognising its normative character; in particular, he argues that money is able to *significantly* affect capitalist production and commerce, especially in the 'short' term and at the 'local' level. This belief can be clearly evinced from Hume's 'hard currency' argument against paper money. Some may be surprised to read that far from being purely philosophic, this argument is in fact practical and inherently *political*. What is more, this argument reveals an understanding of money which, paradoxically, is distant from Metallism and intimate with Nominalist doctrines of the time. Indeed, for Hume, regardless of its precious metal or paper substance, money remains "chiefly a fictitious value" (quoted in Wennerlind, 2008: 108), a social convention and a promise. What makes specie more desirable than paper is utterly a political problem: unlike *hard* precious-metal currency, paper *tender* is potentially destabilising for the economy because of its tendency to be issued *without limits*, hence causing inflation. Thus Hume argues that "money must always be made of some materials, which have intrinsic value, otherwise it would be multiplied without end, and would *sink to nothing*" (quoted in Wennerlind, 2008: 109, my italic).

Hume's 'hard currency' argument ought to be accordingly intended as a critical warning about the speculative and usury motives at the basis of paper money, that is, bank credit, for the latter "may convey the [self-referential] power of acquiring [more] money" (quoted in Wennerlind, 2008: 109). This said, Hume did not despise bank credit per se but only thought that money best worked when its stock expanded together with industry and commerce and when the creation of paper claims was limited to the discounting of bills of

exchange, which he praised for the benefits they could bring to a commercial society (see also chapter 3). In fact, Hume believed that as far as the creation of paper money was anchored to a hard currency it was bound to conform to the price-specie-flow mechanism and therefore required no regulation by the authority.

Accordingly, Hume designed his theory of money "to convince legislators to *ignore* money" (Wennerlind, 2008: 106), as if money truly were an insignificant veneer, an 'artificial virtue' and hence a *nominal quality*. He thus warned against the inflationary dangers of an artificial alteration of the money stock by the government, and used his analyses "to attack those who favoured upholding a trade balance, or who sought to impose customs and duties to protect domestic industry" (Schabas, 2008: 131). For Hume money was able to adjust to a rightful level "proportionate to the art and industry of each nation" (quoted in Schabas, 2008: 131), and hence serve as a proper *measure* of exchange relations, only if the money stock, as a *real quantity* of hard currency, was subject to the Logic of international trade. Money's partial autonomy was only a by-product of the total autonomy of the price-specie-flow mechanism.

And so, despite recognising the normative character of money – the partial autonomy of its performance – Hume remitted the solution of its enigma to another enigma: the unconditioned desirability of international free trade. In this respect, the type of monetary policies that he prescribed may be retrospectively seen as precursors of neoliberal doctrines of *de*regulation. Deregulation, to be sure, is still about regulating, the only difference with 'regulation' being that it neglects the necessary requirement of a political *governance* in order to regulate. By deregulating the 'legislator' merely surrenders the political governance of money to market agents – and especially banks. To be sure, such an endorsement of political *inertia* in monetary affairs can only be built upon a *naturalisation* of the political constitution and economic performance of money – a naturalisation of the norm that, needless to say, is typical of positivism. The positivist fallacy creates a fracture in our understanding of the monetary praxis (the 'what is about' money) in its relatedness with monetary theory and hence monetary governance (the 'what ought to be about' money). Of course this epistemological crack reverberates at the ontological level where, in the case of Hume's theory, we know that money arises "from the agreement and convention of men" (quoted in Wennerlind, 2008: 108), and yet the more it is embedded into a global free trade, the more it "evolves away from its initial state and becomes subject

to forces akin to those in nature" (Schabas, 2008: 131).

And so, after reading Hume, we cannot really understand whether money is real or nominal, performative or neutral, social or natural. Simply, *positivism engenders misunderstanding*. Notably, Hume's ambiguous reasoning assumes the contours of a "polite rhetoric" (see Hanvelt, 2012) that *pretends* to be science at its finest: empiricism. Regrettably, this type of science is built upon subjecting the most basic intellectual question about facts – *why?* – to the knowledge of *how* things work *as a norm*. However, knowing how a thing works *by norm* does not *explain* why it exists but only *justifies* its existence in the name of an a-historical and pre-political Rationality. Regrettably, by obscuring politics with the Scientific Method, positivism – whether under the disguise of empiricism or in the vest of a philosophy of history – is responsible for promoting a *hypocritical* – i.e. less-than-critical – understanding of the world, that of *technocrats*.

In particular, Hume's positivism marks the beginning of a 'modernity' in which the political question of money, rooted ever since the Scholastics in the themes of the 'just price' and usury (i.e. the appropriateness of interest-earning lending) will be progressively concealed by and dissolved into a 'science of the legislator', a growingly technical debate on monetary theory and policy (involving especially the Anglo-Saxon world, see Zarlenga, 2002; Ingham, 2004; 41-47; Arnon, 2011) whose major achievement will be the giving of a *discipline* to the legislator. In this new, predominant 'course of ideas', the theme of money's propriety will be soon reduced to a diatribe about correct criteria of economic efficiency (see Amato, 2010: 111) that will implicitly legitimise (naturalise, normalise) the capitalist praxis of money-getting and money-making. Money will become the insignificant veneer of a *normality* made of capitalist relations, commerce, trade, credit, finance – a phantasmagorical, illusory, fictitious, nominal entity (a fetish and an idol in the Marxian account) incapable of affecting the economy. Money will go offstage to let capital make its entrance. The latter will become, first with Smith but especially following Marx, money's 'real' counterpart: a material, calculable quantity, a proficient and profitable asset, as protean and universally substitutable as money itself, capable of autonomously 'valorising' and generating surplus value in view of a profitable progress[49], giving eventually *substance* and, especially, ideological legitimacy – *in the name of* either labour or utility – to the phenomenal appearance of *money which begets money*.

[49] The word 'profit' comes from the Latin verb *proficere,* i.e. 'to make progress'.

The myth of regulation

Most of today's scholars of money, especially among those who regard themselves as 'economists', have little to say about the *politics* of money; for instance, they do not question (not at all, or anyway not enough) the existence of the Euro, what type of power relations have underpinned its institution and what type of political projects the Euro in turn underpins. That is, they do not seem to recognise the fact that the existence of the Euro is *finalised* to the realisation of something that has nothing to do with exchangeability, commensurability, redeemability and value *per se*, but which is related with the possibility that a certain way of exchanging, measuring, redeeming and therefore *valuing* be actualised *with its full political implications*. The Euro *is* value because it enables the creation of new social relations and hence the construction of new political hierarchies: it is power that denotes a new (dis)course of power.

If money were only an instrument of social relations – if it were merely about measuring and exchanging values – then one single money in the world would have done for the purpose. The same could be said of mobile phones, cars, and of any other mass-produced technology (i.e. any other commodity). After all, they all seem to be doing the same. The problem is that behind the mass production of a technology such mobile phones or cars are *politics of (re)distribution and control* of those who ultimately produce them and socially reproduce themselves through them (see Nitzan and Bichler, 2009). This is why it would be very naïve to think that cars are nowadays produced to satisfy the social need to drive fast on highways. A critical mind would immediately ask: why cars and why not trains, for instance?

A similar question could be posed with respect to the Euro: why the Euro and why not an European system of credits similar to the European Payments Union instituted *pro tem* in 1950 (see Amato and Fantacci, 2012)? Regrettably, most scholars skip the question of politics – that is, *the question of institutional genesis* – and understand money as if it were a car that, quite simply, made us go faster. And so, what most scholars do is mainly to tell us 'how to race like a pro' in any possible environment. That is to say, all their intellectual efforts are devoted to persuading 'the public' about how money should be best managed, governed, ruled. The neutralisation of *politics* corresponds precisely to the consecration of

policies – fiscal, monetary, labour, credit policies.

But can 'we' – the state, the market(s), the central bank – really regulate money, as economists confidently sustain? That is, are we in the condition to 'write' or 'edit' it the monetary norm in an arbitrary fashion, 'by fiat'? As I have suggested before, as a matter of fact, writing and editing the norm (or the dictionary) cannot be done by a single agency but requires a much more organic process encompassing society as a whole. This is why we feel that we enjoy no real power on the money phenomenon, as if money governed us and not vice versa; as if it made its performance in an *autonomous* fashion, animated by its own logic external to earthly affairs, perhaps generated by some mathematical algorithm at the basis of sociality. The idea that we can at best exploit 'what money does' to achieve our purposes but we can never change the way 'money is' is one of the many nihilist visions engendered by positivism. Nihilism arises precisely from the positivist refusal to question the politics of institutional genesis 'out of nothing', which is accordingly justified and legitimised but not explained: in money's case, 'out of nothing' becomes 'by fiat', but then no reflection on the nature of the authority follows, so that a potential discourse on the politics of money is reduced to a technocratic formulation of monetary policies.

Significantly, the topic of monetary regulation and governance is particularly dear to the proponents (mostly from the heterodox field) of the ontological primacy of the money of account. They all share, in a 'progressive' spirit, the belief that money, *insofar as a measure,* cannot be a product of the market but a creature of the authority and therefore an object of regulation. For the sake of the argument, it is worth mentioning in this respect the work of American political economist, historian and numismatist Alexander Del Mar (1836-1926). Del Mar was a fervid monetary reformist who believed that money was entirely a creature of the law, established by the public authority. Like many others before and after him, he often referred to Aristotle to legitimise a somewhat naïve 'legalist' view against the dominant mercantilist dogma (i.e. the belief that money was a precious-metal-based commodity originated in the market).

For Del Mar, the function of money was to measure value *with precision*. To this purpose, money's 'value' ought to be artificially fixed by law, so as to ensure its exact numerical expression and quantity. Indeed, "the essence of a measure of any kind", says Del Mar (1895: 78), "is limitation". To properly fulfil its purpose, says Del Mar, money ought to be able to measure and limit "the whole numbers of money" – in short, this

requires that one calculate with mathematical precision the exact magnitude of the money supply. Regrettably, no single agency has ever been able to do so. Current estimations made by central banks and governments are very much matters of opinions and really go off one's head – *dare i numeri,* as an Italian speaker would sardonically declare – especially when one tries to compute in the final count time deposits and financial assets redeemable at par on demand. A peculiar 'indeterminacy principle' seems to impede our attempts to correctly calculate the whole stock/numbers of money: as soon as we try to fix their overall magnitude/value we discover that they act as a *flow* of highly liquid assets constantly transforming into one another. Critically, it can be argued that *liquidity* – the indefinite substitutability of financial assets based on their discounting on secondary markets – challenges the idea that money could ever serve as a proper measure (see chapter 3).

From a neo-classical viewpoint, on the strength of this critique, some even argue that the very notion of 'measure of value' is a misconception stemming from a theoretical confusion between the notions of 'value' and 'price' (Biondi, 2010: 35): for, in truth, not only does money not measure value, but it also does not measure *at all*. Standard bearer of this argument was Carl Menger who, contra the classical view, sustained that "valuations of goods on a monetary basis are not measures, and such measurement cannot be done anyway. Valuations are instead monetary balances, offered or demanded" (Biondi, 2011: 37). In other words, "exchanges do not require any preliminary measurement" (ibid.) but only a scale for 'weighing' the content of each transaction on a contingent basis. From this perspective, prices (or 'values', for that matter) are not logically anterior to market exchange, but "are formed in the transacting process between actors" (ibid.). As a consequence, money cannot measure any value – *because value is not available for calculation prior to the money transaction* – but only serve as a general means of exchange (ibid., 36) and as a comprehensive mode of accounting: namely, a 'scale of price' or an "imputation device" (ibid., 41) facilitating "horizontal transactions between different actors" (ibid., 40).

Leaving aside the fact that such an argument uncritically conflates the notion of 'value' with that of 'exchangeability' (with 'price' being a consequence of the latter), thus forgetting that "value is an essential precondition of exchangeability, but can exist without

it" (Anderson, 1917: 401-2)[50], the Mengerian counterpoint does not really provide an alternative to the ontological primacy of the money of account. In fact, it merely reconceptualises the 'measure of value' as the 'scale of price', an accounting device that unlike the former is not governed *ex ante* by a central agency but is constantly employed by private agents to assess dynamical and variable price-ratios via self-regulating market mechanisms. Like the 'measure of value' argument, however, the 'scale of price' argument too does not bring into account the fact that money *is* value, otherwise it would not be able to circulate and 'optimise' transactions.

More generally, scholars of money seem to forget that one ought to *own* money before one can use it and, perhaps, attempt to 'regulate' it – in fact, regulate/discipline/control people *through* money. This is a simple rule of thumb that a scholar should always keep in mind: *to be money it must be owned (and hence alienated)*. As Fox (2008: 22) has pointed out, money is first of all a *subject* of property rights.

> A person who has property in money does not in any sense have property in a monetary unit of account. The unit of the pound or the dollar, for example, can be no more owned by an individual than any other abstract unit of measurement such as the metre or the kilogramme. Neither does a person have any true property in the stored purchasing power represented by a certain number of units of the medium of exchange. Depending on ordinary laws of supply and demand for goods and services, and rates of price inflation, the purchasing power represented by the medium will fluctuate over time. His or her only property is in the asset which serves as the medium of exchange. That may be a coin, a banknote or an incorporeal bank balance (Fox, 2008: 22-23).

To own money means to hold a social power in one's hand: a power which is measure of one's own value in relation to other persons and, potentially, to the entire world. This power cannot be fixed in a quantum – say, a one dollar unit expressing an invariant 'purchasing power' – because such a quantum will be nevertheless 'entangled' with manifold markets and political-economic agencies. Accordingly, the power of money must

[50] As the American scholar pointed out, "[v]alue and saleability are not the same thing…exchangeability and value are different characteristics of goods. Value is an essential precondition of exchangeability, but can exist without it. Value, however, is commonly increased by exchangeability" (Anderson, 1917: 401-2). In particular, saleability does never mark a distinction in kind, but only a distinction of degree (ibid., 406).

be considered in its dynamical relatedness with a contextual whole (in particular, one must take into account the *nonlocal* ‘spooky action at distance’ of securitised and commercialised debts, see chapter 3).

As Del Mar had recognised, unlike a measure of length, the monetary measure only exists in a “social state” and varies “with the intellectual attainments, the knowledge, information, opportunities, virtues, and the power of men” (Del Mar, 1895: 74). Crucially, “[w]hen these advantages and attributes are unequal, the determination of value cannot be equitable; one party is certain to obtain an advantage over the other. When they are equal, value becomes an equitable relation” (ibid.). That is to say, *the end of money is not merely to measure and exchange, but to provide an equitable ‘measure to exchange’ and therefore an ‘exchange with measure’* , i.e. an exchange within the *limits* of the equitable. This is why although money is “not a measure of precision” (because pure equity is impossible to achieve in a world of power relations), “yet it ought to be” (ibid., 77). Namely, ‘limitation’ and hence lawful regulation *ought to be* the essence of money – “and such is the origin of the word *nomisma*” (ibid., 78) – because “the more exact the limits of money are defined in the law, the more equitable will it become in its operations upon prices and the dealings between man and man” (ibid.).

Like Hume, Del Mar repudiates the power of money but, differently from the Scottish philosopher, he emphasises that the government, and not the market, ought to regulate it, because no market mechanism can ensure that ‘equality in exchange’ is matched by social equity at large. In the wake of Aristotle, Del Mar poses the *political* question of money in relation to the lawful and the equitable; however, like most of his modern colleagues, he missed the great lesson that the Greek philosopher left us about money, normativity and the possibilities of regulation: “when the thing is indefinite, the rule also is indefinite”.

A phenomenology of monetary normativity

Aristotle’s intellectual legacy is enormous. His most basic concern was no less than solving the problem of institutional change and motion in relation to the immutability of forms (Wood, 2008: 85). Institutional change is enigmatic. As the French say *plus ça change, plus c’est pareil* – the more things change, the more they stay the same. Things are indeed constantly in motion, mutating, *making history,* and yet forms persist, apparently

immutable – and so is the status quo at the basis of the *social order.* This contrast between, and complementariness of, the universal and the particular inherent to social reality assumed in Aristotle the contours of a dialectic of *physis* and *nomos*. Notably, the Greek philosopher tried to uphold the latter over the former and thus bring the problematic of social change & order under the domain of human affairs, after the Platonic 'hyperuranic' twist.

The *nomos-physis* problematic also recurs in Aristotle's interrogation of *nomisma* (as in *Nicomachean Ethics* and *Politics*), where both the universal aspects of Greek coinage and the particular social and institutional settings at its foundation are considered in their complexity. To be sure, *contra* what most economists believe and sustain, Aristotle's is neither a vague, precocious, 'underdeveloped' or hesitant sketch of an *economic theory* hinting at those key-ideas destined to become the verb of mainstream political economy – and in particular the notions that money is the representative of exchange value (i.e. utility) and the market-driven optimisation of barter-like exchange. Nor is Aristotle's a mere philosophical account wherein a 'subjective' ethical motive ends up prevailing over the 'objective' economic analysis. Instead, Aristotle's is a *phenomenological* presentation of the constitutive dimension of *nomisma*, that is, a study of money as *entirely an institution* (Aristotle, *Politics*, 1257b; see Amato, 2010: 184; 190).

The Stagirite therefore takes on a radically different path compared to the one taken by modern political economists: whereas the latter move their analyses from the *datum* of an 'exchange of equivalents' – as if such an exchange could ever be an (ontologically) isolated and (epistemologically) isolable fact occurring between 'empirically universal' *individuals* – the Greek philosopher is concerned with an understanding of monetary exchange as the institution of *equality in exchange*. Here monetary exchange is not imagined in a monadic isolation from the rest (in the inertial world of *ceteris paribus*), but as part of a dynamic political whole of an essentially *relational* nature[51]. And so, unlike his modern heirs who have usually moved their analyses from a complete disregard (underestimation, hypocrisy) of money's *performance* as a norm, Aristotle aimed to precisely *make sense* of such a performance – elucidate the significance of *nomisma*.

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[51] As Amato points out (2010: 241), "la moneta, infatti, è il garante non tanto del *fatto* dello scambio, quanto della sua *significatività.* E la significatività, la *verità*, dello scambio, dell'insieme degli scambi così come di ogni scambio, consiste nel fatto che esso possa aver luogo entro un 'intero relazionale', ossia *non* come serie di scambi isolati, ma come uno scambio intrinsecamente *politico* […] semplicemente perché esso ha luogo sempre in nome, e in vista, di qualcosa a-venire: in nome di una filiazione".

The focus on the normative character of money is especially evident in the *Nicomachean Ethics,* Book V ("On Justice"), where Aristotle discusses the phenomenon of *nomisma* in relation to the polis and the institution of justice. "On Justice" is first of all a political inquiry whose end is the 'human good', and in particular that which is good for the citizens of the polis – "the justice of citizens" (Aristotle, Ethics, 1134b: 5-10). Significantly, says Aristotle, "what we are looking for is not simply what is just without qualification but *political justice* (my italic)" (Ethics, 1134a: 25-30). Political justice is part *natural* – unchangeable, applying "both here and in Persia" and hence universal – and part *legal* – concerned with establishing an arbitrary law whose enactments are to the common advantage of 'those who hold power in the city' (Ethics, 1129b: 15-20), that is, to the advantage of *the association of equals, and only equals*.

The institution of (political) justice therefore implies a question of *political equality* among the powerful which adds on a more general question of equality arising in response to what, according to Aristotle, constitutes the fundamental cause of *stasis* (i.e. political conflict, unrest) in the polis: *natural inequality* among men. Equality thus assumes the character of two distinct forms of "particular (or partial) justice": distributive justice – in accordance with geometrical proportion, and corresponding to the oligarchic conception of equality – and rectifying justice – in accordance with arithmetic proportion, and corresponding to the democratic conception of equality (see also Wood, 2008: 90). Of the two forms of equality, says the Stagirite, the former is of primary importance for understanding *nomisma.*

Distributive justice is in fact "manifested in distributions of honour or money or the other things that fall to be divided among those who have a share (*koinonousi*) in the constitution [of the city]" (Ethics, 1130b: 30). Distributive justice in other words defines *a manner of sharing,* and "to share out is to give by way of exclusion: sharing out is allotment/distribution which is exclusive, privative" (Castoriadis, 1984: 290). Clearly, this type of justice is expression of an *exclusive* distribution of powers at the foundation of private property relations[52], and as such it only concerns the 'association of equals alone' – that is, the oligarchy of proprietors.

This said, what matters the most to Aristotle is understanding how, and according to what criterion, the sharing out and hence the fiction of an 'equality of proprietors' are

[52] Distributive justice indeed reflects a 'natural' principle of hierarchy that, according to Aristotle, we find first within the *oikos,* the basic 'unit' of private property.

established, given the datum of a natural inequality and hierarchy among men. “The question”, says Castoriadis (1984: 293), “must have its ‘rationality’, its *logos*. It is important to open at this point a parenthesis on the semantic polysemy of *logos*, as the word unfolds a number of key-notions, each of them of particular interest for our purposes. In its basic signification, *logos* means ‘discourse’ or, more basically, ‘word’; however, the Greek word also gets translated as ‘reason’, ‘judgement’, ‘concept’, ‘definition’, ‘ground’, or ‘relationship’ (Heidegger, 1962: 55). All this notions are meaningfully connected. Indeed, says Heidegger, *logos* as discourse is about ‘letting something be seen’, an action that necessarily implies assertion and thus judgement (i.e. esteem, value). Also, as it serves the purpose of letting something be seen in its *togetherness* with something – “letting it be seen *as* something” (Heidegger, 1962: 56) – *logos* is a synthesis (i.e. a word, a figure of speech-thought, a trope, a signification, a form). Finally, precisely because its function lies in letting something be seen – that is, in letting some entity be perceived – *logos* can signify reason, *ratio* (i.e. measure) and, most importantly, *relation*, since what is seen becomes visible *as* something in its ‘relatedness’ with something (Heidegger, 1962: 58).

The latter meaning of *logos* – ‘relation’ – constitutes the fulcrum of the phenomenology of exchange outlined by Aristotle in *Nicomachean Ethics* (Amato, 2010: 204), the one from which all other meanings of *logos* unfold as the argument proceeds. To share out is indeed to establish the equality of two relations: a relation between two objects, and a relation between two men. Stated differently, the institution of private property implies the constitution of a inherently political *analogia* – a ‘relation of relations’, a social ‘proportionality’, a ‘geometrical equality’ – among members of the same collectivity. Justice will be achieved whenever the same *analogia* will exist between the persons and between the things concerned, “so that as farmer is to shoemaker, so may the shoemaker’s product be to the farmer’s product” (Ethics, 1133a: 30). *Analogia* is in other words the *rational principle* of ‘equality in exchange’ – i.e. the institutional genesis of money as a norm.

Interestingly, as Amato suggests (2010: 205), the preposition ‘ana’ in *analogia* does not denote ‘from above’ but, rather, ‘(looking) up’, ‘towards what is above’: it thus indicates the ‘transcendental’ presence of a reference to something which is not of the same plane of the relating parties. A proportion, in fact, is not a mere relation, but a “relation of relations” (Kant, quoted in Amato, 2010: 214); accordingly, monetary exchange is never a mere

dyadic ‘material’ relation but a *ternary* phenomenon of a ‘transcendental’ kind, with the third party lying on a different ontological level (Amato, 2010). In this respect, however, one should not be too hasty to assume, as most scholars do, that the third party is the ‘authority’, the ‘community’, the ‘state’, the ‘law’, and so on. No such a *deus ex machina* is posited *ad hoc* by Aristotle to justify the institution of equality in exchange; quite the contrary, he contends that “rule will show the man, for a ruler is necessarily in relation to other men, and a member of society” (Ethics, 1130a: 5-10). That is to say, whether it is personified by some individual (the tyrant) or by a collective agency (the assembly), for Aristotle a ruling authority is always appendage of a human *author* and never purely a third party.

And yet, it is worth noting that according to the Greek philosopher, even though “rule will show the man”, in the end man does not rule at all. Indeed Aristotle states at some point: “we do not allow a man to rule, but *logos*” (Ethics, 1134a: 35). Interestingly, Aristotle does not say, as some might have expected, that ‘we do not allow a man to rule, but *nomos’* but chooses to specifically employ the term *logos*, thus suggesting that *at the foundation of the law is not the individual agency but a ‘rational principle’ unfolding from social relations.*

And so, *analogia* is a ternary phenomenon not because it requires the prior existence of a third-party authority that judges ‘from above’ the equitability and justness of the exchange, but because as a ‘relation of relations’ it takes shape in the ‘in-between’ space (*chora*)[53] of *logos* – the ‘ternary symbolic space’ or the ‘Third symbolic’ (Legendre, 2001: 18). It is only through and within the discursive-imaginary-symbolic dimension of *logos* (i.e. through and within *language*) that the epistemological hiatus between the order of agent-agent relations and the order of object-object relations can be meaningfully overcome. *Analogia* is the *ground for judging men and therefore values* (propriety & property). I shall accordingly conceive of *analogia* as a meaningful relation of relations – i.e. a ‘unity of value’ insofar as a ‘unity of analogy’ – that ‘looks up’ in the direction of a greater whole, i.e. that of *koinonia*, the association of political human beings possessed of *logos* (and property). Crucially, such a unity of value is not a ‘creature’ of the *nomos*, i.e. a social-historical product, but a ‘creation’ of the *logos*, an institution that *makes* the social-historical in the first instance (see also previous chapter).

[53] The Greek word *chora* means ‘space’, ‘country’, as well as “the space lying between two places or limits”, “an empty expanse” – i.e. an abyss.

Now, provided that *analogia* constitutes the *ground* for that *partial* justice, called ‘distributive’, which holds the polis together, there remains a more fundamental question of *commensurability*: namely, upon what criterion can we establish proportional equality, that is, institute a unity of value and thus posit an ‘identity of form’ between the things exchanged by the propertied ones? In Marx’s words, “what is that equal/identical something, that common substance which the house represents for the bed in the expression of the value of the bed?” (quoted in Castoriadis, 1984: 263) The German political economist will answer to this point: “simple, abstract, socially necessary labour” (ibid.).

Aristotle, however, is more ambiguous and, arguably, keen, “for when the thing is indefinite, the rule also is indefinite” (Ethics, 1137b: 25-30). At first he says that the criterion for establishing proportionality is given by *axia* which, according to Castoriadis (1984: 296), must be intended as a ‘proto-value’, that is, a sociological value (a *principle* of conduct) rather than an economic value (a price). *Axia* stands for ‘worth’, ‘merit’, ‘dignity’ – what today in the financial world is reassumed by the word ‘credibility’ or ‘credit’. In order to achieve true justice, says Aristotle, such a proto-value should be according to merit, so that honours and money could be distributed based on a principle of civic excellence. Yet in practice *axia* is fundamentally unidentifiable once and for all, because men “do not all specify the same sort of merit, but democrats identify it with the status of freeman, supporters of oligarchy with wealth (or with noble birth), and supporters of aristocracy with virtue” (Ethics, 1131a: 25). In other words, in the praxis of socially relating “each party is obliged to defend the *axia* of its [own] ‘value’, to argue that its ‘merit’ merits the role of distributive basis, that its ‘dignity’ deserves the dignity of providing the criterion of justice” (Castoriadis, 1984: 297). Which *axia* is therefore the most valid? “Why *this* something, why not something *else*?” (ibid., 298).

Coupling Castoriadis’ thoughts on value, equality, justice and politics with Veblen’s theory of capital, Cochrane (2011) suggests that the essence of *axia* – at least in the contemporary, capitalist world, but we may expand the domain to include all non-egalitarian regimes of distributive justice (in practice, all historical societies) – is not (objective) labour or (subjective) utility, as the contemporary capitalist cosmology would posit (see Nitzan and Bichler, 2009), but (relational) *control*. Put crudely, Cochrane argues that the *principle of value* (*axia*) is *power*.

Aristotle, however, is more subtle and “suggests two answers to this question; but, in a sense, he also says that there is *no* answer” (Castoriadis, 1984: 299). On the one hand, he argues that *axia* ‘is’ *chreia*, that is, *need* that holds all things together, “the usefulness of individuals both for each other and collectively for the city” (ibid.). On the other hand, especially in the *Politics*, he contends that *axia* ‘ought to be’ *virtue*, for virtue is man’s *telos* (ibid., 322); in this respect, he also adds that “the *logos* and the *nous* are the natural ends for us men” (ibid.), thus drawing an analogy between *logos*, *nous* (intellect), and virtue, that altogether seems to suggest that knowledge and education (*paideia*) should constitute the essence of *axia*, and hence the principle of value.

Many see in the ambivalence of Aristotle’s position the implicit acknowledgement of an impossibility to philosophically provide a solution to the problematic of value (for instance Theocarakis, 2008); others, in the same vein as Marx, even argue for a failure of the Greek philosopher to see what was already there, *given*, in the form of either labour or utility: again, (exchange) value. However, I shall argue that far from being blind, Aristotle understood very well the problematic of value and realised the insignificance of positing an identity of value once and for all. The principle of value is neither power nor labour nor utility, but the *principle itself*, that is, *institutional genesis*. And so, “what, then, was there in truth to see?” asks Castoriadis (1984: 278). His answer is “*nothing*”: Aristotle saw Nothing. This, to be sure, should not be taken lightly. Indeed, according to Castoriadis, ‘nothing’ in this case does not mean abstract nothingness – oblivion in a logical-ontological sense –, but a “real phantasmagoria” (ibid.), a socially constructed nothing, an ‘instituted absence’: it is a *significant* Nothing of which *chreia* is a metaphorical instance[54] and the manifest imperative.

Amato offers a powerful interpretation of Aristotle’s notion of *chreia* in relation to money. According to the Italian scholar (Amato, 2010: 18) money is the performance/making of nothing (“la moneta è la messa in opera del nulla”). The universal

[54] In *The imaginary institution of society* Castoriadis, moving from the example of the signs O and I, argues that an institution (an instituted sign or form) is *not even* Nothing. It is neither a ‘thing’ nor a ‘thought’ (a concept). “Nor does it partake of Nothing: it is not a being of reason, not privative nothingness, nor negative nothingness; and it is not an imaginary being, *ens imaginarium*, for such O is an ellipse, not a letter. […] O and I are less than Nothing – for O and I are institutions, (‘instituted elements’), historically created figures, forms-*eide*. Concealment of the social imaginary: the sign qua sign can exist only as an instituted figure, a form-norm, a creation of the social imaginary” (Castoriadis, 1997: 252). Imagining Nothing does not involve ‘imagining what is not’ but rather implies metaphorical thinking, that is, “imagining/figuring one thing by means of another thing, being able to ‘see’ in what is what is not there, presenting or presentifying one thing by another thing” (ibid.).

trait of money, accordingly, consists in its *disappearance* into circulation; this is possible only to the extent that money, as a *measure* of exchange, provides a *limit* to circulation and, in particular, a limit to the (finance-driven) indefinite procrastination of debts. Money, in other words, is properly money only if it guarantees the mutual redemption for those who are indebted with one another (see also Amato and Fantacci, 2012), and, reciprocally, if it serves as a means for an *end* which ought to be the closure of credit accounts.

Hence, adds Amato, if a universal ontological status must be accorded to money, it should be that of the *ellipsis*, the meaningful omission (Amato, 2010: 33): for money, as an institution, is the emblematic referent of a transcendental absence *in virtue of* which men (to the extent that they partake of the same constitutive indebtedness with one another) become able to meaningfully relate with each other. He thus writes (2010: 184):

> Prima di ogni soggetto e di ogni soggettivazione, l'atto *umano* dell'istituzione richiede l'entrata in rapporto con ciò che, proprio nel rapporto, si rivela come *radicalmente altro rispetto all'uomo,* e allo stesso tempo come ciò *senza cui* l'uomo non è propriamente ciò che è chiamato ad essere: un essere capace di decisioni libere e creative.

'Negativity', it has been suggested in more an occasion, well describes the ontological locus of modern (fiat) money. In particular, what really strikes about *ex-nihilo* money is that it is (still) able to perform its *normal* functions and not "sink to nothing" (recall Hume) even though it is *nothing but* a promise in exchange for a promise *ad infinitum,* a reference to something hiding what is 'in truth' a reference to a constitutive nothing. Money is a promise of payment (an I Owe You) serving as a means of payment (an I Don't Owe You Anymore): this is *absurd, non-sense* – that is to say, *it means nothing*. Significantly, this is precisely what the scholar *normally* sees before her eyes, often unconscious, without wondering enough 'why and how': money is created 'out of thin air', 'out of nothing'. Money is neutral, money is insignificant, money is nothing, money means nothing.

Eppur si muove. And yet, even though it comes out of nothing to promise nothing in the end, money circulates, redistributes, and in this process it is sought after in itself as a value. How can it be? How can such an illusion work so sweetly? Discussing the theme of fetishism and how it relates to social creativity, Graeber (2007: 146) makes a very interesting remark in this respect, and says that "[a]wareness of the illusion makes no difference. In fact, one could go further: this is an illusion that manages to deceive its

victims precisely by reassuring them that it is an illusion, that they are not deceived". In effect, to a more or less extent, and especially in times of greater judgement (*crisis*), we all are aware (or, perhaps, we *remember*) that *in the end* money is a fetish, an idol, an illusory entity, an insignificant phantasmagoria, a tool of a fundamental undesirability. Sensing the urgency of the crisis, we even feel the eschatological presentiment that money will eventually "sink to nothing", dragging us and society along, guilty of having submitted to its fascination. This, however, does not seem to prevent most of us from fervently desiring it, and exploiting its (purchasing) power on a daily basis, whilst damning the heavens for its persistent lack. Admittedly, our experience of money – pretty much like our science of it, so profoundly positivist – is largely *hypocritical*.

"Mancanza" – i.e. lack, absence, indigence; all in all, a 'significant nothing' – is the word Amato chooses to adopt in reference to Aristotle's *chreia*, echoing the Scholastic tradition that similarly employed the word *indigentia* for it (Theocarakis, 2008). In the context or Aristotle's discourse, argues Amato, the term 'indigence' is more appropriate than 'need' because here *chreia* does not stand for the practical need of the utility-maximising individual in relation to other individuals. Such an individualist conception of need, intended as a subjective utility or desire having as object a concrete *res* and included in a social system of *material* needs called (civil) 'society', is at the basis of much of today's methodologies of social and economic sciences but is alien to the Aristotelian reflection. Instead, by *chreia* the Greek philosopher has in mind the constitutive (institutional) dimension of *reciprocal indigence* for the citizens of the polis[55]. *Chreia* is in other words the attestation of a *transcendental* need, not a *material* one (in its modern acceptation): namely the *political* need to participate and share, to become part of a greater whole, that of the political society (*politike koinonia*), in order for the citizens to exist and fulfil themselves as human beings.

Accordingly, Aristotle relates *chreia* first with *antipoiein*, that is, proportionate reciprocity or requital, [f]or it is by proportionate requital that the city holds together" (Ethics, 1132b: 30), and, successively, with *metadosis* (Ethics, 1133a: 5), for "men seek to return either evil for evil […] or good for good […] and if they cannot do so there is no exchange (*metadosis*), but it is by exchange (*metadosei*) that they hold together" (D. Ross' translation). As Castoriadis (1984: 305) points out in this respect, "[t]he city can be held

[55] In this respect, it is worth noting that for Aristotle democracy was a form of class rule by the poor (the needy, the indigent) (Wood, 2008: 39).

and kept together only if exchange materialises what Aristotle successively calls *antipoiesis, metadosis, antapodosis, antidosis*".

All these notions denotes forms of 'mutuality', or 'reciprocity' (but only in the broadest sense), wherein "[w]hat is equal on both sides is the knowledge that the other person *would* do the same for you, not that they necessarily *will*" (Graeber, 2011: 100). Critically, these forms of *mutuality* are based neither in exchange nor in reciprocity *sensu stricto,* except for the recognition of *mutual* expectations and responsibilities and, namely, "the understanding that, unless people consider themselves enemies, if the *need* is considered great enough, or the cost considered reasonable enough, the principle of 'from each according to their abilities, to each according to their needs' will be assumed to apply (my italic)" (Graeber, 2011: 98). That is to say, mutuality is based on a partaking, a *principle of participation* that Graeber calls 'baseline communism': "the raw material of sociality, a recognition of our ultimate interdependence that is the ultimate substance of social peace" (ibid., 100). Crucially, this principle of participation does not apply to the whole of society but only constitute a basis for the forming of *coalitions* within society. Mutuality is in other words a *principle* of sociability that concerns political association (the Aristotelian *koinonia*) rather than an *end* of sociality describing society at large (the Aristotelian *politeia*).

Significantly, most modern texts, and especially economic ones, tend to annihilate the institutional dimension of *chreia* and its related conceptions of mutuality in favour of materialist, utilitarian, overly-economic notions. And so *chreia* in some cases is even translated as 'utility' or 'demand'; in a like manner, *antipeponthos*, which means 'reciprocation' and 'requital' but also 'retaliation' (what Dante called *contrappasso*), becomes synonym with an 'equivalent exchange' of a commercial orientation (see Theocarakis, 2008). But the most striking example of misconception *performed* by mainstream economics is provided by the applications of the term *metadosis*, erroneously rendered as 'exchange' or even 'barter', but which actually means "giving one's share" (Polanyi, 1980: 110-11).

As Fantacci (2005: 35-6) argues, *metadosis* is neither barter nor reciprocity *sensu stricto*; nor is it to be intended, as Polanyi did, as the concrete act of giving one's own share, in the form of an economic surplus, to a common fund (as a mode of redistribution). That is to say, *metadosis* does not indicate any economic 'trans-action' (in its modern

sense) whatsoever but connotes participative ‘inter-action’, that is, *participation to the political constitution of society*. Crucially, it is a ‘political’ institution because it is a form of mutuality/sociability at the basis of coalition-making *within* society – that is, it is a manner of constructing power relations, not a neutral (pre-political and a-historical) basis of sociality, i.e. an abstract socialism or communism.

Metadosis, says Amato (2010: 208), “è il dare che rende” – a ‘giving which yields’, or else a ‘participating which gives yield’. From this perspective, *metadosis* can be interpreted as an action that directly denotes an underlying *interest* (an interest that, assumingly, might even indicate the presence of an economic *rent*, see chapter 6). However, says Amato, according to Aristotle such a ‘giving which yields’ ought to be performed in relation to a collective dimension of *kharis* (gratuity, grace), and not on the basis of some particular, ‘private’ interest. *Kharis*, in particular, connotes a religious co-belonging, a ‘holding together’ that is in the interest of the entire community, and “this is why [men] give prominent place to the temple of the Graces – to promote the requital of services; for this is characteristic of grace: we should serve in return one who has shown grace to us, and should another time take the initiative in showing it” (Ethics, 1133a: 5). *Kharis*, to be sure, does not mean beneficence for and among the masses; more likely, it is *benevolence* for and among the élite – it is aristocratic *grace*, *noblesse oblige* so to speak (we must never forget that *koinonia* – a “sharing in common” indistinctly rendered as ‘community’, ‘society’, ‘association’ – is not an abstract collectivity of human beings living together in the polis, but an oligarchic association of proprietors, i.e. an élite within society).

Metadosis is therefore a *participation in the constitution of the polis based on a religious co-belonging, an intra-oligarchic sentiment of mutual benevolence*. Without such an aristocratic principle of sociability, *chreia* would not materialise as the all-encompassing foundation of civic life. But what is *chreia* anyway? What does the Nothing, the Lack that it symbolises, actually signify? Perhaps, as the referent of a constitutive dimension of reciprocal indigence, *chreia* represents within the polity a basic social condition: *the-being-in-debt-with-one-another* (also known as ‘interdependency’). The term *chreia* is indeed related to *chreos*, meaning ‘debt’, ‘obligation’, ‘loan’. It is worth noting in this respect that, according to Graeber (2011: 121), “debt is strictly a creature of reciprocity”: it is an ‘exchange of equivalents’ not brought to completion which is nonetheless based on the premise of a contractual (legal) equality between the counterparts. According to

Graeber (2011: 86), it is precisely the assumption of equality what makes (economic) debts different from moral obligations. In other words, economic debts are a *consequence* of equality in exchange. But, what is more important, equality in exchange is a consequence of the awareness of being in debt with one another, as parts of a greater whole. That is to say, *chreia precedes* equality in exchange.

Being-in-debt-with-one-another means that we all owe something to one another, and this principle of mutuality cannot be exhausted by any payment in cash or kind. *Chreia* is expression of a transcendental ‘demand’ that can only be met by *kharis* (grace, gratuity), that is, by a (moral) mutuality of wills likely to culminate in a symbolic *gratias agimus* (‘rendere grazie’, a thanksgiving). For no one has to literally thank anyone, or economically pay her obligation against the community: indeed, how can we possibly pay our debt to the community that *made* us (made us flourish) and gave us the chance to fulfil ourselves as ‘human beings possessed of *logos*’? How much should we owe it? Besides, the community of whom, or what? Our family? Our friends? Our tribe? Our political coalition? Society? The state? The ‘absentee’ owners of everything? The Treasurers of the Gods, or God himself? The entire cosmos? Or perhaps just our ego?

This leads us to the fundamental consideration of this chapter: as a substitute of *chreia*, *nomisma* is *not* a representative of economic debt, i.e. a measure of indebtedness and a debt itself. On the contrary, *nomisma* is a monumental reminder (an emblem) of the fact that we can ‘redeem’ ourselves and be ‘free’ – equals – only to the extent that we *are in relation* with one another, as members of the same political coalition. In this connection, Graeber (2011) also develops Philippe Rospabé’s original argument and argues that money was not originally devised to pay debts, but arose as the *acknowledgement* of the existence of a debt that could not be paid. In particular, Graeber (2011: 134) claims that “money is first and foremost an acknowledgement that one owes something much more valuable than money”, something that matters with the very life and death of man as a member of a greater social whole and the subject/object of an instituted violence (which is preserved within either the formal canons of the law or some customary code of honour) that is camouflaged as a morality of some sort (ibid., 163). He thus writes:

> In a way, it’s all very reminiscent of primordial-debt theory: money emerges from the recognition of an absolute debt to that which has given you life. The difference is that instead of imagining such debts as between an individual and society, or perhaps the cosmos, there

> they are imagined as a kind of network of dyadic relations: almost everyone in such societies was in a relation of absolute debt to someone else. It's not that we owe "society". If there is any notion of "society" here – and it's not clear that there is – society *is* our debts" (Graeber, 2011: 136).

Society is our debts (*crea*), and our debts are the principle (*axia*) of our power relations (*analogia*) – i.e. *chreia* is in other words the incommensurable principle of partaking of the same indigence, *the illusion of being all equal before death*. And so, says Aristotle, as a collective participation (in the name of a reciprocal indigence) in the political constitution of the polis, *chreia* constitutes the *true unity* of society and, conformingly, it should be the true measure and criterion for establishing distributive justice and equity – *the true unity of value* – because there is no *axia* which is more virtuous, fine and just than the well-being, happiness, and human flourishing (*eudaimonia*) of the political society.

However, we cannot measure things by need – that is to say, we cannot quantify how much we owe to one another as members of the same collective enterprise, as partners/shareholders in the same joint venture (*koinonia*), or 'going concern', called society – as we cannot assess which (whose) *axia* is more worthy because each value is a *qui pro quo*, "a gigantic loan" (Castoriadis, 1997: 244) made upon the pledge of the "intangible assets of the community" (Veblen, 1908a). Without access to this 'immaterial equipment' of practical, tacit knowledge – this common sense – "no individual and no fraction of the community [i.e. no political coalition] can make a living, much less an advance" (Veblen, 1908a: 519). Hence the *axia* serving as criterion for proportionality can never be the value of a social group or class alone, enclosed in itself, but ought to be recognised as such by everyone, if the polity wants to flourish and respond to the *demands* of its members: it has to become the *normative* value *par excellence*.

Nomisma is therefore not the materialisation of any particular *axia* but the abstract embodiment of each and every *axia*: it is not *a* form of value but *the one* form of value (or *uniform* value) that finally enables a reflection on *the manifold* values implicated in our actions. This is why we can say that *nomisma* is self-referential and self-reflexive and, eventually, that it appears as an autonomous entity (an *auto-nomos*): because it is an emblematic illusion (whose genesis ought to be sought in alienation and fetishism) reassuring us that it *is* an illusion, an *index sui*. *Nomisma* is in other words a "peculiar non-sense" (Aristotle, Politics, 1257b), the fiction that a debt that cannot be paid *could indeed*

be paid in some sense, thus imaginarily freeing us from the tangle of social relations we belong, the network of responsibilities we are immersed in and, therefore, giving us moral reasons for ‘ripping’ others from their social contexts (Graeber, 2011). Ironically, the unintended consequence of the institution of *nomisma* is that one great mind such as Aristotle’s may find herself ‘embedded’ in a sophisticated culture fed upon the degradation of human masses turned into chattel slavery, and find it *normal* (‘of the same kind of the *norm*’), responding to a natural principle of hierarchy.

And so, says Aristotle, money has become by convention (*nomos*) a sort of ‘substitute’ for *chreia*, that is, the real (and yet fictitious) unity of all proportions – the *unity of analogy* – at the basis of distributive justice and, thus, at the foundation of political society as a (relational) whole; “and this is why it has the name ‘*nomisma*’: because it exists not by nature but by law/custom (*nomos*) and can be altered and rendered useless at will” (Ethics, 1133a: 25-30). *Nomisma* is in other words “the process or the result of lawful distribution” (Kurke, 1999: 14), the institution of a political justice for the association of equals and equals alone. Indeed, the term *nomisma* is linguistically related to *nemo* (to distribute, to deal out), *nemesis* (distribution of what is due, divine resentment, assignment of due anger), *nomisdein* (to acknowledge by belief or practice) and, of course, *nomos* (anything allotted or assigned, convention, custom, law) (von Reden, 1995: 177; Seaford, 2004: 142).

According to von Reden (1995: 177), it was the *absence* of a measure in social retribution – of a ‘just’ means of distribution – that provided the context for the emergence of *nomisma* “as a means of payment to create social peace [appeasement, relief]” (ibid.). “*Nomisma* might, then, have its origins in the *political necessity* to express ‘measure’ in the construction of relationship of power and authority (my italic)” (von Reden, 1995: 177). Notably, *nomos* originally meant ‘order’, and in particular ‘military order’, “implying in a strong sense that something is ‘arranged’, ‘given’, ‘distributed’, ‘measured out’” (von Reden, 1995: 177). In this respect, it is also worth noting that the earliest surviving occurrence of the word *nomisma*, as in Alcaeus, concerns the military: “truly she [Athena] was bringing together a scattered army, inspiring them with *nomisma*” (quoted in Seaford, 2004: 143). In this connection, scholars have hypothesises that in an epoch characterised by violence and warfare coinage was originally devised by local authorities precisely to pay armies of mercenaries (see next chapter). Subsequently, coinage offered a solution to debt crises as a form of sovereign redistribution of ‘net worth’ to the indigents, to free the

peasantry from debt peonage, secure their agrarian self-sufficiency and hence their exploitation as the basis of an army subject exclusively to the interests of the political society as a whole (see next chapter).

Regrettably, Aristotle will never overcome the quantum leap between *axia* and *chreia* on the one hand and *nomisma* on the other. In *Nicomachean Ethics* he does not explore the actual story of how and why things (*chremata*) have come to signify *nomisma* but is only preoccupied with understanding the political significance of its institution and, hence, the 'transcendental' truth of its normativity: what it means to be 'by *nomos*'. In *Politics,* on the other hand, the Greek philosopher will discuss the *telos* of *nomisma*, hence the social consequences of its use, including the commercialisation and degradation of society, thus focusing more on the 'materialistic' side of its meaning. He will say very little, however, about how and why precious metals have actually come to be coined and monetised, apart from an appeal to the rationale of inter-polis commercial trade. In other words, his will remain a purely phenomenological qua philosophical interest in *nomisma*, instrumental to a broader political inquiry on the principles of ethics. For these reasons Aristotle's interrogation cannot be listed as a proper 'sociology' of money because, though it provides a basic 'semantics' of its sign-form that will constitute the basis of much of modern thought on the subject, it nevertheless lacks a 'semiotics' of its institution – that is, a study of the historical origins and development of such a sign-form – and consequently remits the reader to a rather dogmatic acceptance of its *veritas transcendentalis*, an enigma condensed into the word *nomos*.

And so he repeats in a tautological fashion: by convention (*nomos*) – that is, as a *normal* thing to do insofar as we are participating in the same polity – we have instituted a common measure (that we have accordingly called *nomisma*), "for it is this that makes all things commensurate, since all things are measured by *nomisma*" (Ethics, 1133b: 20)…

> …*kai dia touto tounoma ekhei nomisma, hoti ou phusei alla nomō esti, kai eph' hēmin metabalein kai poiēsai akhrēston* – …and this is why it has the name *nomisma*, because it exists not by nature but by *nomos* and it is in our power to change it and make it useless (Ethics, 1133b: 30).

CHAPTER 6

Genealogy of the currency

A history of politics

The clue is in the word. And the word comes with a (social) text. The use of the term *nomos* increases rapidly in texts of the VII century and progressively substitutes the term *thesmos*, previously employed by the Greeks to designate statutory law. This change of vocabulary is indicative of a secularisation of Greek law (i.e. a "separation of the norms from the judges", Seaford, 2004: 178) occurring in conjunction with the constitution of the polis-form of social organisation, and paralleling altogether a written (alphabetic) codification of customary norms. Indeed, "while *thesmos* implies the imposition of law from above and has a distinctly religious flavour, *nomos* […] implies a law to which there is common agreement, something that people who are subject to it themselves regard as a binding norm" (Wood, 2008: 36).

The central philosophical significance of the word *nomos*, however, only emerges when its broad meaning is reconfigured in dialectical opposition to the concept of *physis*, starting from the Sophist debates on the 'naturalness' versus 'conventionality' of language (Adams, 2011: 20; also Wood, 2008: 53). From the Sophists on, thinking in terms of *physis* and *nomos* will become a privileged manner of discussing about 'what is' and 'what ought to be' in the world – thus a way to 'philosophically' legitimise on an onto-logical ground political and ideological (op)positions in the name of 'truth' or 'true knowledge'. Following the 'idealist' twist given by Plato's theory of forms underlying a failure to confront the realities of change and motion (Wood, 2008: 85), Aristotle seeks to re-integrate these two key-notions under the domain of human praxis and change. Hence, contra Plato, he tries to uphold *nomos* (the social-institutional, the particular, the mutable) over *physis* (the natural, the universal, the fixed), by championing a notion of man as a

political human being possessed of logos (Adams, 2011: 21).

In the end, however, the many questions that Aristotle poses in his works will converge on a phenomenological discourse on the proper ‘order of nature’ and thus lead to teleology. Namely, despite his attention to the question of politics at large, he will end up endorsing an ontological primacy of *physis* vis-à-vis *nomos*: he will accordingly privilege a reflection on the ‘*nomos* of *physis*’, i.e. the order of nature, “that which is permanent and unchanging in a world of change” (Wood, 2008: 85), that will not be sufficiently complemented by a converse understanding of the ‘*physis* of *nomos*’, i.e. the ‘nature of order’ lying beyond the apparent normality of human conventions. In short, Aristotle will miss the relevance of the ‘sociological’ themes of alienation, reification and fetishism in relation to the *genesis*, the *telos* and, especially, the *normality* of institutions.

This applies to his phenomenology of *nomisma*. As I have shown in the previous chapter, in *Nicomachean Ethics,* after having outlined (around the key-concept of *analogia*) a phenomenology of justice and equality in exchange, Aristotle re-delivers the enigma of *nomisma* ‘as it is’ to the reader, leaving intact (i.e. without *solving*) the ambiguous dialectic of *nomos* and *physis* underpinning his broad discourse: in a final analysis, we are told that the Greek currency is a human convention (of the same kind as *nomos*) and an institutional foundation of society, created by men ‘sufficiently for the purposes of *chreia*’ (“*pros de tēn khreian endekhetai hikanōs*”, Ethics, 1133b: 20). However, we are also informed that man is *by nature* a political being possessed of *logos*, which altogether calls for the following consideration: allegedly, as political animals, we *naturally* need a symbolic system *to give form to our experience*, communicate and survive as a species; hence we need institutions, rules and norms, and language above them all, to provide a ground for our capacity to meaningfully relate with one another; to *proportion* our values (ends/purposes) and *ration* our means; to articulate relations of power with fellows as well as forms of control over others (and over the Other); finally, to *iterate* our survival and prosper as political associations of men (possessed of *logos* and property altogether). But if so, on what ground can one sustain, together with Aristotle, that *nomisma* is not by *physis* but by *nomos*, given that the two are inherently entangled with one another, to the point of even merging into the figure of *Homo Politicus*? After all, don’t men create *nomisma* in the name of a need that *transcends* them – a need that in fact resembles a natural imperative?

Not incidentally, it is worth noting that Aristotle's thoughts on human nature find support in a recent hypothesis coming from the field of evolutionary linguistics (Dessalles, 2007), according to which language has a political origin – that is to say, "before our species became *Homo Loquens*, speaking man, it was *Homo Politicus*" (Dessalles, 2007: 357). It has been argued, in particular, that as groups of primordial hominids grew in size, the 'ability to be relevant' by linguistic means superseded violence and physical strength (there is in fact no intrinsic advantage in being strong and violent if you can be easily outnumbered) as the primary criterion for the granting of status, the selection of partners and, eventually, the creation of stable coalitions centred on 'leaders'. Language, in other words, was instituted because it was functional to something that transcended language itself, i.e. the politics of coalition-making. As a result,

> [h]uman beings turn into interlocutors for a fifth of their waking lives because they are in a game which, when played under nature's conditions, is essential to their survival and procreation. The aim of the game is to discover whom to choose as allies and to determine who will influence collective decisions. It is a game which differs from the other one, the game of natural selection, because the winners are not the only ones who get to propagate their difference. In the coalition game, any players who try to keep all the status for themselves, rather than grant it to others, may end up paying dearly for it. It is better to stand second in a coalition that wins than first in one that loses (Dessalles, 2007: 355-6).

The political association of proprietors members of the Greek polis seems to be playing this very 'game'. To avoid *stasis*, instead of 'showing off' all their wealth and competing against one another, they ought to *gratuitously* grant each other status (*axia*) – that is, recognise their common 'going concern' – and, upon it, "distribute honours and money" (to others) in the name of a reciprocal indigence, so as to achieve political justice. To this purpose, *nomisma* must be introduced, and it ought to be so upon the method of *analogia*, for in the end (even thought Aristotle does not say it explicitly) it is better to stand lower in a relation of proportional equality (among oligarchs and aristocratic rentiers) than higher or equal in a relation of geometrical equality (among democrats, petty shopkeepers and bondsmen).

Nomisma, says Aristotle, is "entirely an institution" and "it is in our power to change it and make it useless". Arguably, Aristotle's choice to overemphasise the normative

character (i.e. the *nomos*) of Greek coinage vis-à-vis its material and technical properties stems from the philosopher's faith in the *autonomy* of the political society (and in the *necessity/rightfulness* of this *auto-nomos*). However, by merely stressing the enigmatic normality ("the peculiar non-sense") of the phenomenon Aristotle doesn't do total justice to a thorough understanding of its institution. Using the philosopher's own typology of causality, it could be indeed sustained that by focusing on the 'final' and 'efficient' causes of *nomisma* Aristotle misses the significance of its 'material' and, especially, 'formal'[56] ones: he thus does not explain why and how historically precious metals got coined (material cause) and monetised (formal cause), but only why and how the outcome of such a 'formative' process, i.e. *nomisma*, was necessary, 'sufficiently for the purposes of *chreia*' (efficient cause), insofar as finalised to the realisation of political justice (final cause).

The invention of redeemability

The institution of coinage *marked* (never has the verb been more appropriate) an all-encompassing conceptual revolution that changed the ways in which people *normally* spoke and thought, as they began for the first time to refer to both their material possessions and their personal conduct "in terms of money" (Schaps, 2004: 16). It is not a coincidence that coinage emerged during the so-called Axial Age, when ancient mythologies got progressively entangled into metaphysical cosmologies and both philosophies and religions (that is, *universal* principles of reasoned enquiry and human conduct) were formulated and written down for the first time in the history of civilisations. Arguably, this was the time when people began producing systematic intellectual reflections on the 'proper' – hence on 'property' as well as 'propriety' – both in the natural and in the social world.

According to recent scholarship, coinage should not be intended as merely an outcome of this revolutionary conceptual change but ought to be understood as a social form that enabled such a social change in the first instance. As a preliminary remark, it must be stressed that the introduction of coinage had nothing to do with technical advancement in metallurgy per se; in fact, "the technology for making coins was trivial and had been available for a long time. Technology was not the driving force behind the invention of

[56] 'Formative' or 'forming', according to Bohm (1980: 15-16).

coinage" (Schaps, 2004: 16). No need to say that the myth of technological determinism prospers upon an even deeper belief – that technology is a *neutral* aspect of social change, i.e. a process of discovery that is not vitiated by power relations. Society, from this perspective, simply adapts to technological change. However, as pointed out by Cox (1987: 20-21), "technology is the means of solving the practical problems of societies, but what problems are to be solved and which kinds of solutions are acceptable are determined by those who hold social power"[57] (see also chapter 4).

Coinage was certainly a *human* invention but it must be kept in mind that it was not a sudden discovery that marked a sharp discontinuity with the past; instead, it was a gradual historical development coming "at the end of a long process of the monetization of Near Eastern society" (Schaps, 2004: 16)[58]. Behind the 'invention' and its subsequent institutionalisation was a political problem and, possibly, a number of them. In this respect, it is significant that the first 'Greek' coins were actually struck in Lydia, western Asia Minor, probably in the seventh century BC (and certainly no later than ca. 600 BC). Lydian coins were not made of gold or silver, as one might expect, but of electrum, a natural alloy of gold and silver (present in large quantities in the region). The peculiarity of electrum coinage offers an important clue about the type of political problem that coinage was meant to 'solve'. Wallace (1987) enumerates a number of hypotheses on the origin of electrum coinage, but only a few try to make sense of its specificity, that is, the naturally variable consistence of electrum.

A first hypothesis, consonant with the classical orthodoxy of commodity-money, suggests that coinage arose as a response to the economic imperative to rationalize trade relations through a uniform and reliable means of payment. Here coinage appears as a historically necessary development, a medium entailing a more effective and efficient market exchange. This hypothesis however finds little support in the historical evidences; first of all, early electrum coins were too valuable to be used as means of payment in small transactions and retail trade (i.e. market transaction on the spot and *internal* trade); secondly, it seems that electrum coins did not circulate far from their place of issue, thus casting a shadow on the belief (also shared by Aristotle in *Politics*) that coinage was invented to 'smooth' *external* trade. Moreover, the idea that coinage entailed an

[57] In a similar vein, Castoriadis (1984: 241) argued that "[i]t is true that there are 'obligatory solutions'; but it is no less essential to bear in mind that, for man, there are no obligatory *problems*".
[58] Seaford (2004: 125) even sustains that "Greek coinage represents a synthesis of Near-Eastern and Greek practice".

optimisation/rationalisation (Kroll speaks of “transactional efficiency”) of economic and social transactions cannot explain why coinage was not invented much earlier since the technical means for its metallurgical production had been available for centuries (see also Schaps, 2004: 97). If, according to Kroll (2008: 18), coinage substituted bullion because of reasons of practical convenience (on the one hand, lower transaction costs as electrum coins were no longer weighed out but counted; on the other hand, seigneurage gains for the issuing authority), why did other great trading states such as Carthage and Phoenicia *not* adopt coinage straight away (Kurke, 1999: 12)?

Contra the ‘market hypothesis’, Cook (1958) and others have argued that coinage was originally devised by the state in order to standardize the payment of mercenaries. In its generalised, chartalist, version, the ‘state hypothesis’ suggests that coinage was for practical reasons a legal tender introduced by the central authority for all payments both by and to the state (see Kraay, 1964). Like the market hypothesis, this argument too is unable to make sense of the specificity of electrum, and namely why the first coins struck were made not of gold or silver, but of a natural alloy of both. In this respect, Wallace (1987: 338) points out that “if the intention was to produce ‘standard units for uniform payments’, electrum was precisely the wrong metal to use” because of its variable metallic consistence. More specifically, this hypothesis does not explain why only electrum was struck despite the fact that silver and, to a lesser extent, gold too were available for minting. Secondly, the state hypothesis does not take into account the possibility that electrum coins might have not been accepted at their face value by mercenaries based on a mere state guarantee. In fact, the variety of standards adopted in the early coin series, the irregularities of shape, the high value of the coins and, above all, the complete absence of clipping seem to suggest that *at first electrum coins were not negotiable at face value* and, thus, were not counted (and trusted upon) as a ‘legal tender’ (as the ‘transactional efficiency’ argument would have it too) but were still weighed at each transaction (Wallace, 1987).

As a variant of the state hypothesis, Price (1983) has argued that early coinage was at first a “means by which political, military and juridical office was rewarded; it combined the traditions of seals and personal badges as symbols of authority on the one hand and gifts of precious metal for political and juridical office on the other” (von Reden, 1997: 156). In other words, electrum coins were designed as ‘bonus’ payments to state employees

and, perhaps, as gifts to mercenary soldiers, though in the latter case coins should have spread more widely than they did (see Schaps, 2004: 98). To be sure, both the ‘gift’ and the ‘state’ hypotheses are very attractive (and certainly more consistent with historical evidences than the ‘market efficiency’ hypothesis) as they provide a plausible explanation for the process of monetisation that followed the invention of coinage (see for instance Graeber, 2011). However, they still do not provide a convincing reason for why electrum and only electrum was coined at first.

According to another original argument, the initial issue of coins was meant to be a financial strategy elaborated by the state authority to profit from minting (Bolin, 1958). Unlike the above-mentioned explanations, the ‘seigneurage hypothesis’ has the merit to directly address the question of the specificity of electrum coinage, as it holds that the state initially chose to mint exclusively electrum because, unlike gold and silver, the dilution of electrum was difficult to detect, de facto making debasement more easily practicable. This theory, however, is based on two assumptions proven to be wrong by Wallace (1987: 388-89): first, that the metallic composition of electrum was naturally consistent (i.e. all electrum naturally enjoyed a similar gold-silver ratio) and hence the variability of electrum coinage was *deliberately* produced through dilution; second, that at the time electrum coinage was introduced, techniques were already available for establishing an objective value-relation between electrum on the one hand and gold and silver on the other. In addition, this hypothesis clashes with a more credited hypothesis: electrum coins were initially weighed rather than counted. Indeed in a context wherein weighing was still the norm, a deceptive manipulation of the alloy would have quickly discredited the diluted coinage and drastically shrunk the possibility of seigneurage gains.

More recently, Holloway (1978) has argued that the variability of the electrum alloy “lessened the trust that could be placed in an electrum coin” (quoted in Wallace, 1987: 387); as a result, unlike gold and silver, electrum could not circulate without a “stamp of ownership” guaranteeing the coin’s value (i.e. redeemability) to the issuer. Therefore Holloway put forward the hypothesis that electrum was initially coined by a numbers of private issuers who imprinted a ‘mark of redeemability’ on it in order to make it more fungible and stabilise its market value. Wallace basically takes on this ‘redeemability hypothesis’, though he contests that electrum was struck by public agencies, not by private issuers (actually without providing much support to this claim). According to Wallace, the

seventh-century owner of electrum faced the problem of having a potentially valuable merchandise and a store of value whose worth, however, could not be easily quantified in objective terms because of the inherently variable substance of the alloy in relation to both gold and silver (consequence of a combination of natural variability and susceptibility to artificial dilution). Because of such unreliability, it must have been impossible to use electrum bullion as a means of exchange and a store of value (as it was normally done with gold and silver); quite the contrary, it is plausible that its market value would have tended to fall (Wallace, 1987: 392). To overcome the problem of the uncertain value of electrum it would have been necessary to determine its content once and for all by separating its gold and silver components through a heating process called cementation. Regrettably, such a process was yet to be discovered in 600 BC – and so, "[b]efore the discovery of that process, the solution was coinage" (Wallace, 1987: 392).

As Wallace convincingly argues, the standardization of electrum coin series cannot be explained by considerations of convenience (that is, to obviate the problem of weighing bullion at each transactions), because electrum coins were probably not negotiable at face value without being weighed. Instead, "coinage served to stabilize the market value of electrum" (Wallace, 1987: 392) by impressing a seal on the obverse of the coin.

> The obverse stamp might have been an identifying mark, but this cannot have guaranteed the alloy (which varied); it cannot have guaranteed weight (which varied and could be altered); and (*pace* Price) it cannot have served to represent the "authority" of the issuer (which *per se* is meaningless). Rather, since the issuer of electrum coins must in the first instance have spent his coins at the value declared for them, that value must have been established by the promise that he would accept back or redeem his coins at the same rate. *Ultimately, therefore, the stamp identified the issuer and guaranteed redeemability* (Wallace, 1987: 393, my italic).

The redeemable character of early coinage was the effect of a *promise of future acceptability*, a "surety" for future exchange (Aristotle, Ethics, 1133b: 10) made by the issuer. Namely, the mark imprinted upon the metal (after its standardisation into coin pieces) was *guarantee* of the stability of the (market) value of its natural substance *when in the coin-form*, because only in such a form the metal was accepted back by the issuer at the same rate. In this way, electrum was eventually able to serve as a store of value and, *upon*

the issuer's security, as a *fiduciary* transactional means: it was to all intents and purposes an abstract *fungible* asset. To be sure, the conjoint use of the adjectives 'abstract' and 'fungible' is here an abuse of language since the former is always already implied in the latter: namely, fungibility is never *naturally given* but is always *technically developed,* based on institutional arrangements about the ways and means of standardising the asset in question (and making it a potential commodity), and is consequently 'abstract' to an extent.

Now, provided that redeemability was ensued *upon the issuer's security*, "[t]his artificial or fiduciary quality meant that coins could circulate at their full, guaranteed values only within the area of economic or political influence of the issuer, or in areas where the reputation of particular issues had spread" (Wallace, 1987: 393). Most likely, Lydian kings started to relinquish some of their massive surplus of electrum to Greek merchants and mercenaries in exchange for goods and services. In particular, "[p]ayment of mercenaries would require numerous pieces of standard weight, but also, given the varying intrinsic value of pieces of electrum of the same weight, marks on the pieces to guarantee a standard value. It is even conceivable that it was Greek mercenaries who insisted on such a mark" (Seaford, 2004: 128). We must not forget that the archaic Greek world was one of constant warfare, violence, and plunder, witnessing the rise of a new kind of army, made up not of Homer's heroic warriors but of trained professionals, such as the hoplite soldiers, who needed to be rewarded in some meaningful way.

Seaford thus outlines the hypothetical story of electrum coinage (2004: 121-2):

> A Lydian potentate wishes to use the military skills of Greeks who are outside his political control. But these Greeks are not the subjects of a redistributive monarchy; they are relatively free individuals, who must be given gifts. Fortunately, our potentate has enough electrum to give each of them a piece. Every piece is stamped with his own device (e.g. the royal lion of Lydia) – for two reasons, both stemming from the novelty of mass distribution of prestigious gifts: firstly, in order to impress a crucial reminder of its source on what would otherwise be a strangely impersonal gift, and secondly in order to neutralise, by his authority, the variety in the proportions of gold and silver in the electrum. The first motive is to preserve, in new conditions, the traditional personal association of gift with donor. *But the material needs of the numerous Greek soldiers are more important to them than the contrived personal link with the potentate. And so the authoritative typicality of the mark survives as an impersonal guarantee of future acceptability* (my italic).

Perhaps we can never know for sure the exact story of the concrete political problems that coinage was meant to solve but it appears that at any rate the solution was to ensure redeemability. Notably, the redeemability hypothesis is not only compatible with the state hypothesis, but it can also be applied to make sense of all other hypotheses discussed above, including the market hypothesis. The institution of coinage in fact does not merely involve the articulation of a sovereign space for the "distribution of honours and money" (therefore a 'state' and a 'state of affairs' of some sort), but also the construction of a network of relationships in the face of *an absence of mutual trust* among men (thus akin to a modern 'market'). Arguably, this can only be possible to the extent that coinage is itself the vessel of a *faith* capable of replacing concrete trust among men.

It goes without saying that redeemability implies the cultivation of a religious sentiment of salvation. Yet, what type of faith? Arguably, an electrum coin offers the possibility of redemption precisely because it acts as a *liberating power*: it enables one to make an exchange and be free to 'turn her back' and walk away because this would not preclude the possibility to perform the same type of inter-action in the future. The liberation that the coin concedes, however, is never absolute but always dependent on the surety that the 'promise of redemption' made by the issuer will be honoured and, hence, that the coin will be accepted by a third party and eventually back by the issuer. Such a partial, conditional freedom in the hands of the original coin bearer adds on to the total, absolute freedom – or *autonomy* – of the original coin issuer. No need to say that the counterparts to this germinal monetary transaction are not 'arithmetically' equal: of the two, the issuer of coinage is the more credible, honourable, and powerful party. Issuing coinage per se does not alter the configuration of this pre-existing power asymmetry between the counterparts (I am here using the term 'asymmetry' instead of 'hierarchy' since it has been assumed that the original counterparts do not belong to the same 'structure' of political power, e.g. the Lydian king is not the overlord or patron of the merchants and soldiers whom he pays *in cash*); however by serving as a *ratio* – a principle of equivalence – upon which they can negotiate their own terms for *appeasement,* coinage introduces the counterparts to an imaginary dimension in which they can be 'geometrically' equal, commensurable with one another, and move their claims from a condition of reciprocal indigence (i.e. interdependency).

The granting of status (i.e. the cession of a partial/conditional autonomy) by a superior via coinage, however, comes with a price for the inferior, who is now morally obliged to pledge faith to the fiduciary value of the coin, de facto becoming "more realist than the king" (*più realista del re*): from now on she is bound to defend the conventional value of the coin with even more fierceness and obstinacy than the original issuer itself, since the burden is now on her. To be relieved she must act as a *militant* believer and help spreading the credo, find a potential third party who is willing to find appeasement in the same token and equally trust its value. The circulation of coinage thus requires the social construction of a secularised form of faith in the coin's own liberating power, a *sharing of the burden* that binds individuals together at any level, both within and between social groups, coalitions, thus cutting transversally through the hierarchies of a political order (with a disruptive potential for the status quo). We may conceive of the coin's liberating power as a magnitude of what Seaford has termed 'fiduciarity': "the excess of the fixed conventional value of pieces of money over their intrinsic value" (Seaford, 2004: 7). Allegedly, the stamp on the coin is not guarantee of its metallic quality or quantity, but is indicative of the amount of liberating (purchasing) power conferred by convention to the coin (Seaford, 2004: 136).

Faith in the conventional value of coinage demarcates a growing attitude to moral *indifference* towards inherited status (especially among the 'middle classes' of merchants and mercenaries who were likely to be the original coin bearers) insofar as redeemability is non-discriminating, *assignable* to potentially everyone and, as a matter of fact, demanded especially by the 'poor' and 'indigents' as a concession of partial autonomy by the powerful. This is because, of course, aristocrats and well-born do not really see the necessity of a surety against their potential enslavement or debt-bondage; quite the contrary, they have a 'surplus' of surety – 'own capital' in modern banking jargon – which is in their interest to mobilise (capitalise) in the form of coinage, as a sort of *permanent lease*, to pacify the *demos* (and share the burden of 'debt adjustments' with it), establish a new form of communitarian solidarity and gain a 'differential' control vis-à-vis aristocratic competitors. As it has been extensively documented, the circulation of coinage caused the erosion of traditional hierarchies and the subversion of 'transactional orders' and 'spheres of exchange' (i.e. the Homeric distinction between prestige and non-prestige goods). In particular, coinage was disruptive of hereditary rights, including ties of dependency and

debt-bondage, hence primarily responsible for the transformation of patronage relations into debt relations (von Reden, 1995; 2010; Schaps, 2004; Graeber, 2011).

However, *coinage did not caused the dissolution of hierarchies, nor did it abolish rent gains by the wealthy. This is because coinage was not the token of some absolute 'liberty' for its owners but, if anything, the emblem of their conditional co-belonging to a political coalition of 'equals'.* That is to say, what coinage actually did was to turn into normality the fiction/illusion of an *equality in exchange* – the revolutionary idea in a world of patronage and vassal-like relationships that one could make an exchange and be free to walk away without showing disrespect or fearing a retaliation, conscious that in the future the same type of interaction could be repeated indefinitely. As a matter of fact, it was this new 'rule of the game' what assured in time the social reproduction of a class of 'freemen' and the crystallisation of social bonds of interdependency of an utilitarian type (i.e. not based on personal loyalty or solidarity): in short, the institution of a complex division of labour based on the presence of an internal market (the *agora*) for the exchange of previously incommensurable 'use values', now turned into negotiable 'exchange values'.

On the other hand, whilst weakening traditional bonds and breeding moral confusion (see Graeber, 2011), the circulation of coinage caused the progressive consolidation of a religious *respect* for the (issuing) authority: confidence in the fiduciary value of coins was at once symptomatic of a *legitimacy* of the *body politick* that issued them. Eventually, as the polis took over the mint and became the monopoly issuer of coinage, faith in coinage assumed the contours of a civic trust in the polis and, correspondingly, coinage became a symbol of the political autonomy of "those who hold power in the city" and the embodiment of the polis' identity (see Martin, 1996; Howgego, 1995). It must be noted in this respect that the coins issued by the Greek poleis were made not of electrum but silver: electrum coinage was in effect a local innovation of Asia Minor due to the presence of mixed gold and silver lodes in the region. As Schaps points out (2004: 104), the widespread adoption of silver coinage that followed the invention of (electrum) coins "indicates that coins, even if they had begun as a solution to the problem of the variability of electrum, had come to be appreciated as what they now were: a countable unit of value" – in fact, a *fiduciary instrument*, measure and medium of a conventional value (in excess of the intrinsic bullion value) guaranteed by law.

This said, there remains a crucial question to address, one which the redeemability

thesis alone cannot disembroil: how did faith in coinage originally arise? More specifically, assuming that early coins were a liberating power for their original bearers, what made them appetible to a third party, thus alimenting a collective sentiment of trust in their value and turned them into fiduciary instruments? According to the chartalist position, the currency is by norm accepted because the issuer (e.g. the Lydian king) is already in the position to enforce a tax obligation (payable in coins) on the general population, de facto stimulating a demand for it. In other words, state taxation drives the currency (Wray, 1998). Visibly, this theory is based on the unproved assumption that the original issuer is in the *ex-ante* condition to *enforce a debt upon others* (e.g. the community). Also, the theory holds that the value qua validity of the currency is established by fiat and "is not bound to any material. It can occur with the most precious or the basest metals" (Knapp, 1924: 30). In short, according to chartalism's general propositions, the currency is essentially the product of a 'deficit spending' by the central authority and is therefore nothing but a debt that ought to be paid *in the end* to the issuer via tax settlement.

I shall dispel doubts away beforehand: the chartalist thesis does not apply to the context of archaic Greece where, if anything, the currency drove the 'state' and not vice versa. Also, as I will argue later in the chapter, the high intrinsic (market) value of coins' metal *did* matter for the construction of a faith in their circulation. But most importantly, I will show that early Greek coins did not constitute a *liability* for their bearers but, on the contrary, they resembled a form of e*quity*: i.e. shares in the sovereignty of the polis, tokens qua 'pieces' of autonomy, conceivable in modern terms as a *highly liquid* portable asset or stock (what today banks accumulate as *reserves*). As a matter of fact, owners of large quantities of coins were not 'subject' of the polis, as the chartalist position would want; quite the contrary, it was the polis to be subject to their collective interest, as they represented the strongest political coalition in the city: that of the 'equals'. Regrettably, despite its important intuitions about the normative character of the currency, chartalism cannot really explain why Greek coinage circulated, as it remits the solution of such an enigma to an external force/violence that would allegedly 'drive' it from above: the authority. Here sovereignty is taken in a positivist fashion as a dogmatic departure point to justify the existence of the currency, whereas what is truly at stake is to understand how a currency, and the faith it builds upon, articulates *sovereignty* and makes communities *autonomous*.

Cultic participation, or else *stakes* in the autonomy of the emerging polis

Equality in exchange may be sanctified by fiat but before its legal codification can take place and be 'written down', it ought to be first 'spoken', that is, constructed, as from the relations, and relations of relations (*analogia*), that articulate the monetary *ratio* (*logos*) in the praxis. And so, if some violence is to be responsible for the value of the currency, it will not be a heteronomous force exerted from without (from above) by an *ex ante* authority but a power that from within aliments the faith that the currency carries in an apparently autonomous fashion. It will be a violence with a reason (*logos*) to exist *within* the relation of exchange, not external it (although this reason will necessarily 'look up' in the direction of the greater, contextual whole of the polity).

Perhaps we can get a better sense of this 'implicated' violence in *Money and the early Greek mind* (2004) by Richard Seaford. In this book the author argues that ritual violence, and in particular animal sacrifice and the subsequent distribution of meat performed in early Greek temples and sanctuaries, was a precondition for the emergence of a collective confidence in the abstract *value* – the "*impersonal all-powerful substance*" – of Greek coinage. As I have already suggested, fiduciarity denotes an enormous conceptual transformation introduced by coinage in the early Greek mind: within the political boundaries of the polis, precious metal was more valuable in the coin form vis-à-vis its bullion form – and the difference between these two physical states was utterly symbolic, i.e. *entirely by nomos*, as an Aristotle's scholar would say. Coinage blended together, allegedly for the first time in history, economic (material) wealth with political (transcendental) power in an institutional form, a 'value' alimented by a generalised, fetishist faith.

To be sure, fiduciarity was only the tip of the iceberg of this conceptual revolution. In fact, according to Seaford, the "power bestowed by this communal confidence on the abstract substance of money was in turn a precondition for the genesis and subsequent form of presocratic metaphysics" (Seaford, 2004: 11). In particular, the metaphysical aspects of the coin-form might have provided to early Greek philosophers the "counter-intuitive idea of a single substance underlying the plurality of things manifested to the senses" (Seaford, 2004: 175), de facto spurring the reflection on the problematic of the One

and the Many. Needless to say, Seaford's discussion of the subject is very fascinating, as it encompasses not only the institution of coinage and the emergence of Greek philosophical cosmology, but also the genesis of individualism – the idea of the individual mind or soul (*psuche*) as a unitary site of consciousness – and the 'tragic' dialectic of individualism and communality that resulted from the tension between faith (the sacred) and violence (the profane) as carried by the currency. For obvious reasons we cannot engage in an appropriate manner with Seaford's complex argumentation in this session but only provide a brief discussion of its major points, especially for what concerns the social construction of fiduciarity in the Archaic age.

As a preliminary note, it must pointed out that the institution of coinage in Archaic Greece coincided with the rise of 'sacred finance' (see von Reden, 2010): namely, the performance of temples and sanctuaries as early agencies of monetisation and, hence, as treasuries of the nascent poleis. The construction of temples and sanctuaries is attested by the eight century BC. We can speak in this respect of a monumentalisation of cultic activities – sacrifices, dedications and votive offerings to deity – that were previously conducted either in the open or at the house of a chieftain, and which now find an objective continuity (and memory) in the architectural structures of temples (Seaford, 2004: 63). As in the ancient societies of the Near East, Greek temples and sanctuaries initially served as the place for the storage of dedicated wealth, yet with an enormous difference as regards their purpose. In the ancient societies of the Near East as well as in the Mycenaean palatial societies, says Seaford, the practice of dedication was an economic act generally enforced upon the social base in order to directly sustain the power of an élite. The ancient temple functioned as a centre for gathering and storing (for future consumption) the food required to feed the gods – in fact, to feed the élite and the numerous temple's personnel. In these ancient societies the motor of the economy was divine demand (Seaford, 2004: 74) and 'direct producers' surrendered much of their agricultural product to the authority in a process of redistribution of wealth to the top.

By contrast, dedications to early Greek temples and sanctuaries were overwhelmingly *symbolic* since, in strictly *economic* terms, the Greeks surrendered very little to the 'authority': insubstantial smoke to the gods and certain small parts of the animal to the priests. What's more important, part of the wealth they offered was returned to the community via banquets and sacrificial feasts. In contrast to the ancient Near Eastern

temple, direct source of rentier gains and embodiment of the *exclusion* of the great unwashed from the institutional privileges of god's representatives, the Greek temple acted as an institution of political *inclusiveness* among the aristocratic families that were soon to hold power in the constitution of the polis.

Seaford's basic thesis is that the ritual of sacrificial distribution was meant to reconstitute at a symbolic level a mechanism of heroic reciprocity that had meanwhile failed in the practice. The Homeric epic, in this regard, provides a mythical attestation of the crisis of the heroic social order. Notably, 'heroes' were not merely fictional characters but represented the highest officials that the Greeks knew in the Dark Ages (or Homeric age, 1200-750 BC circa) that followed the collapse of the Mycenaean civilisation: they were essentially local 'big men' or 'great men' (*basileis*), heads of large households analogous to medieval 'banal lords' (see Teschke, 2003) that had come to dominate villages via political alliances with other big men and by recruiting followers-companions to form warrior brotherhoods and bands (*phula*) (Donlan, 1985). In a sense, heroes were a warrior élite akin to the lower nobility of the medieval knightly class (see Teschke, 2003).

Notably, heroes did not derive their authority from any 'office' held but achieved and maintained their status through martial prowess and violence (Hall, 2007: 125), which altogether alimented the myth of their heroic deed. Theirs was a warrior culture based on what Veblen (2007) termed "predatory habits of life", as exemplified by an aesthetics of excellence and violence that saw in the taking of life – in particular, the killing of other warriors – the most honourable action. Such a "bellicose frame of mind" (Veblen, 2007: 18) reflected the substantial investments in the means of violence and the military innovations that marked this epoch. To mention the most illustrative, the new technology 'iron' displaced bronze in the production of tools and weapons, since it was relatively easier to procure and less expensive (Martin, 1996: 40).

The Homeric age was accordingly a time of random violence, a political interregnum where a central, palatial administration of justice no longer existed so that each 'hero' constituted de facto a 'state' (see Schaps, 2004: 129): a quasi-independent 'unit of sovereignty' committed to establish and maintain a network of 'diplomatic' relations with other heroes and with his own direct subordinates, members of his clan-family, and followers-companions recruited for campaigning. Seaford provides a categorisation of heroic transactions, articulating a continuum that goes from allocation by naked violence to

barter-like exchange of things. Between these two poles are: prizes, gifts, the sharing of the booty (and of the meat), reward, compensation, ransom, bride-price, slavery (Seaford, 2004: 23-5). Of these ‘economic transactions’ two are especially important: gift-giving, promoting inter-heroic solidarity (i.e. solidarity among hero-lords via bonds of loyalty and obligation), and distribution of the booty, promoting intra-heroic solidarity (i.e. solidarity between the hero-lord and his companions)[59].

According to Seaford, both the *Iliad* and the *Odyssey* are organized around a crisis of heroic reciprocity, as epitomized in the *Iliad* by the conflict between the leader Agamemnon and the warrior-companion Achilles (Seaford, 2004). Central to the narration is the failure to distribute the booty because of Agamemnon’s unjust control of the process. In particular, Achilles complains that his leader has shown no gratitude (*kharis*) for his fighting, de facto posing a problem of equivalence between the value of his reward/compensation on the one hand, and his actual worth in battle and, more generally, his soul or life (*psuche*), on the other (Seaford, 2004: 36-7). The paradox of this equivalence problem lies in the fact that heroic *psuche* is incommensurable and yet it ought to be somehow proportionate to a material reward, or else Achilles’ honourableness (*timē*) – which is measure of his life’s worth – would be seriously compromised.

It is worth noting that the noun *timē* in Homer’s poetry could mean ‘honour’, ‘esteem’, ‘worship’, ‘reverence’ as well as a ‘penalty’ or ‘compensation’; in later Greek it will also mean ‘price’ (Seaford, 2004: 33). Homeric *timē* reminds of the Medieval Irish concept of ‘honour price’, a notion of incommensurable worth not to be confused with the concept of *wergild*, which instead refers to the *actual* price of a compensation (see Graeber, 2011: 176). By contrast *timē* is, like Aristotelian *axia* (see previous chapter), a ‘proto-value’: a *principle* of conduct rather than the *end* of an action (‘end’ is here employed in a double sense as a transcendental and subjective finality on the one hand, and a material and objective conclusion to an action via pecuniary settlement on the other). The two, however, embodies rather opposing morals. In fact, whereas *axia* is a sort of human *dignitas* at the foundation of ‘civil society’ (see previous chapter), *timē* is earned upon naked violence and, says Graeber (2011: 170), could be conceived at best as *surplus dignity*: “[a]t its simplest, honour is that excess dignity that must be defended with the knife or sword” (ibid.). The foundation of honour, adds the American anthropologist, is precisely the ability

[59] Notably, heroic gifts can be seen as proto-debt relations. They indeed created alliances and obligations between individuals or groups who might otherwise have nothing to do with one another (Graeber, 2001: 27).

to strip others of their dignity, to the point of turning them into slaves, *social dead* ripped off their contexts (ibid.). As a result, paradoxically, heroic honour, to be thoroughly met, ought to lead to the commodification of others' life (i.e. slave labour) and thus to the progressive institutionalisation of private property.

In effect, what we witness in the Homeric epic is precisely a breakdown of intra-heroic hierarchies due to an excessive, privatistic appropriation by the leader and, in more general terms, in consequence of an encroachment of distributive privileges by the 'political association' of heroic nobles (Seaford, 2004: 44-5). For reasons that we cannot properly eviscerate in this session, towards the end of the Dark Ages, heroes had indeed begun acting as a proper leisure class that no longer pursued honour and martial prowess as a measure of one's esteem, but sought power and 'appropriateness' in material wealth and property (see Veblen, 2007). As a matter of fact, this warrior élite was becoming to all intents and purposes a rent-seeking hereditary aristocracy, pursuing strategies of social reproduction similar to those conceived by medieval lords (see Teschke, 2003: 59-60), and involving among other things: rent maximization via intensification of bonded labour and slavery; 'internal' colonisation of land through land reclamation (this will be accomplished also via the temple enterprise); 'external' colonisation of land, usually in connection with warfare and conquest (see Braudel, 2002). We may assume in this respect that, among other things, successful cycles of campaigning and the consequent rise of domestic serfdom[60] had turned the best of warriors into powerful agrarian lords. As a result, both inter- and intra-heroic solidarity broke down and the complementary practices of gift-giving and distribution of the booty assumed a 'symbolic' significance, providing altogether a *representation* of heroic solidarity that served the purpose of communal inclusiveness in a world of feudal anarchy.

And so, sponsored by dominant aristocratic households, early poleis started to erect temples and sanctuaries in memory of a heroic past of solidarity and reciprocity. These monumental architectures served as places for the display of signs (*semata*) of heroic might and formidableness and, thus, as *loci* of noble class consciousness. Having lost their character of economic transactions among heroes, gift-giving and distribution of the booty/meat turned into a cultic practice of dedications and ritual sacrifices in honour of the deities from which the aristocracy claimed to descend. Early dedications to sanctuaries

[60] According to Cartledge (2002: 159), from Homer to Aristotle slave or unfree labour was a constant of Greek economic practices.

were in fact “the kind of objects that in Homer are [heroic] interpersonal gifts” (Seaford, 2004: 59): bronze tripods and cauldrons, armours, but also utensils such as iron spits, jewellery, animal skin (the *aegis*), human and animal figurines, and other durable items usually made of (precious) metal – everything that was instrumental to the conspicuous consumption by the aristocracy.

To be sure, here the term ‘consumption’ may be quite misleading: indeed, though dedications may be seen as a form of ‘spending’ (some might be tempted to say: ‘deficit spending’) that members of the aristocracy sustained with the purpose of ‘showing off’ their wealth in a game of ostentation/competition, the maintenance of the cult as a whole required an *investment* (rather than a mere expense) of an intangible nature that, quite the contrary, was meant to foster affiliation and cooperation (*koinonia*) among aristocrats. If you let me the analogy with modern financial practice, the aristocratic sponsorship of the cult was like a collective *participation* in a joint venture – i.e. the temple cult’s ‘sacred’ going concern – that involved the capitalisation of aristocratic honour (and credibility), now no longer relying on naked violence but based on the substantial surety (or ‘own capital’) of hereditary lordship (or ‘real estate’).

But if so, what was then the economic purpose of such a financial-like joint venture? Regrettably, to properly answer to these questions one should first investigate the conflicting strategies of social reproduction – involving redistribution and, therefore, finance – among Greek social groups and coalitions and, hence, explain the changing nature of Greek social property relations in the time that went from the end the Mycenaean civilisation to the emergence of the polis life – which is clearly beyond the intents and possibilities of this work. However, drawing on what has been said in the previous chapter, I shall risk the following conjecture.

Aristocratic sponsorship of the cult was not a means to a material end; though the cult might have been source of ‘private interests’ in the form of prebends, venal offices and privileged grants of communal land, it was not a strictly economic motive (an egotistic expectation of material return/profit) what actually drove the cult sponsorship. On the contrary, it was a shared sense of *reciprocal indigence*. Participation in the cult was in other words a transcendental end materialising the political *need* of *metadosis*: namely, a ‘giving which yielded’ to local aristocracies no less than intangible power over the growing urban population and vis-à-vis neighbouring and foreign élites. Translated in a financial

jargon, such a participation was in effect meant to set up a collegial, wasteful[61] *capitalisation of rent gains* stemming from prior appropriation of land and slave labour. This capitalisation consisted in a portfolio investment (*metadosis*) *a fondo perduto* (*gratis*), i.e. based on a gratuity (*kharis*), and hence *non-repayable*, carried out in view of an affiliation/association (*koinonia*) for (political) purposes of social redistribution and control (what today often goes under the labels of 'public interest', 'national security', 'welfare' and so on) that might today appear 'unproductive' from a strictly economic point of view, but which were at the time very meaningful and effective from a political perspective.

Crucially, such a capitalisation of rent gains by big aristocratic landowners via the sponsorship of the temple's cult constituted *the beginning* of what Seaford and others (see for instance von Reden, 2010) have called the 'monetisation of the cult' and, thus, the beginning of a political economy *tout court*. This historical process appears as a progressive *substitution* of perishable offerings (dedicated food) for durable ones and, in turn, the progressive standardisation and transformation of such cult utensils into monetary fees. This change is evidenced also in the semantic shift that occurred to words related to the sacrificial ritual throughout the Archaic age. The spit *obelos* became the coin *obol*; the word *drachma* that originally meant 'a handful of (six) spits' became the term used to define the principal unit of the currency in the Greek world (Seaford, 2004: 102); *pelanos*, round cakes burnt on the altar, came to denote a monetary fee to be paid at the sanctuary; *eranos*, the communal meal, became a cash loan (ibidem, 78-9). Significantly, of these original dedications, iron spits "may have been prized simultaneously for their sacrificial use, as prestige objects, and for their monetary function or functions" (Seaford, 2004: 108). In particular, if we exclude cauldrons, which seem to have functioned as a means of payment among the wealthiest citizens of the eighth-century Cretan polis of Gortyn, iron spits are the only other cultic item that has been found "in contexts that strongly suggest a use as currency" (Schaps, 2004: 83).

To be sure, the original and primary use of iron spits was non-monetary: in addition to being a form of dedication to sanctuaries, spits were used as ceremonial utensils on which the sacrificial meat was roasted, distributed and consumed in communality. However, as they circulated in sacrificial meals, ceremonial dedications, banquets and burials (von

[61] I here use the term 'wasteful' in the sense given by Sweezy and Baran (1966) to the type of institutional expenditure/capitalisation of wealth by monopoly capital, in order to highlight the non-strictly *productive* nature of the collective investment made by the Greek élites with their temple sponsorship.

Reden, 1997: 160), their 'religious' significance alimented a *communal confidence* (Seaford, 2004: 106) in their value that went beyond their original ritual purpose. And so, spits might have served as a *stable* store of value and, on occasion, as a local proto-currency. As a matter of fact, iron spits enjoyed those technical characteristics of (partial) portability, countability, durability and, especially, fungibility (since they were *products* of standard shape and size, so as to ensure the traditional 'right' to an equal *share* of the communal meal during the sacrificial feast) that are typical of a currency.

It thus comes as no surprise that *obeloi* might have served within the community of the nascent polis as a universal form of *exchangeable portable wealth*, based on the surety of their political value as *equity* (i.e. *stakes, stocks*) in the temple cult. Spits, however, could never *properly* serve the purpose of monetary exchangeability and were thus destined to no more than local circulation for two interrelated reasons, *pointing altogether to the modest market value of their metallic substance*: first of all, a technical difficulty in transporting large quantities of iron due to their weight and physical encumbrance and, therefore, their commercial inappropriateness for substantial long-distance inter-polis transactions (Schaps, 2004: 85).

Now, there might have been a conscious governmental decision to replace spits with coins in sixth-century Argos (Schaps, 2004: 102-3) but, as a general case, we have no evidence to sustain with certainty that there was a direct transition, promoted by some 'authority', from iron spits (utensil proto-currency) to coinage. In fact, it appears that, if anything, the transition was a rather turbulent one since the emergence of coinage was connected to the rise of tyrants and autocrats and the consequent dethronement of those ancestral hereditary nobilities that originally stood behind the temple's cult and the parallel constitution of the polis.

Though we cannot ascertain a continuity between the monetisation of the cult and the institution of coinage, it nonetheless appears evident that the temple's going concern was responsible for the social construction of an intra-élite *fiduciarity* as well as a *fidelisation* of bonded labour, tenant farmers and poor peasants of early urban settlements. In other words, the cult worked to promoting a confidence/faith among the general population that was indispensable for the constitution of the polis and the institution of coinage. To be sure, much is yet to be done to unravel the connections and, perhaps, the mechanisms of causations, occurring between temple enterprise, institution of coinage and constitution of

the polis in Archaic Greece. However, we can draw from this short account some pragmatic thoughts on the Greek currency that will hopefully prove to be useful for our general understanding of money.

First, the fiduciary and redeemable character of Greek coinage was deeply rooted in a religious cultic dimension providing altogether the ground for a secularised, fetishist faith in its value; in particular, the sacrificial distribution of the meat was responsible for 'sublimating' violence and ritualising (i.e. institutionalising) a sense of religious 'equality' among (affiliated) men before the divine authority. Second, at the roots of the monetisation of temple-related activities and the subsequent institutionalisation of coinage was not a strictly economic form of exchange (barter; permutation) but a financial-like *participation* where each heroic noble contributed part of his own property (von Reden, 2010: 159) for political purposes of social redistribution and control. Finally, the participation/investment in the corporate lordship of the temple laid the foundations – and possibly provided the *funds* – for a stable financial infrastructure capable of interfacing the 'public good' and the 'private interests', the sacred and the profane, in a way as to "hold the city together" in *autonomy*.

In this respect, it is worth noting that temple's sacred finance did not merely involve the 'wasteful' expenditure of rent gains (via festivals, banquets, sacrificial rituals) but also 'productive' investments in construction works, management of public landed domains and, later, public credit (see von Reden, 2010), providing altogether a stable source of income. Also, the temple extracted fees and taxes for the financing of its operations. However, fees paid to the temple were not a form of 'chartal' taxation *imposed upon* the subjects by some temple *state-like* authority, but a form of self-taxation by the rich analogous, for instance, to that afforded in modern times by the English landed aristocracy that, via self-taxation, was able to negotiate its *stakes* in the public affairs of the English parliamentary monarchy. One should not indulge too much in analogies with modern financial institutions, but the temptation to see in the Greek temple (especially in the Classical and Hellenistic periods) a 'sacred' corporate fund, that is, a *reserve* of (liquid) capital (see Davies, 2001) serving as *current base* for the capitalisation of power (honour, credit/credibility, property) and, consequently, the monetisation of social relations, is strong.

The institution of the currency, the rise of the polity

In this chapter I have tried to get to the 'root' of *nomisma* by exploring the genesis of its *nomos*. I have thus traced the genealogy of equality in exchange set by *nomisma* back to the ritual violence and the sacrificial redistribution performed by the Archaic Greek cult. Drawing on Seaford's argument, I have put forward the hypothesis that communal confidence and acknowledgement of the symbols of power – of which coinage was to become the most emblematic representative – by the early urban populations of Archaic Greece were promoted/patronised by the temple's politics of redistributive inclusiveness. Accordingly, I have suggested that it was political *participation* (in the form of a *metadosis* akin to an investment fund or trust), rather than economic *exchange*, what actually alimented a generalised trust in the value of cultic tokens (such as iron spits) and, subsequently, in the currency. Iron spits, in particular, enabled 'equality' in the ritual redistribution of the meat because, in virtue of their characteristics, they were recognised as stakes (or stocks) in the cult – i.e. *shareholders' equity*, so to speak. In an analogous way, *nomisma* was to become the "object of acknowledgment" (from *nomisdein*, 'to acknowledge') of a participated sovereignty for the political coalition of proprietors that held power in the polis.

In this regard I wish to stress once more that the type of autonomy conferred by the ownership of coinage was never total or absolute, but always *partial*. Not even the coin issuer was truly autonomous and therefore sovereign because, by (con)*ceding* the coin in what may be termed an 'original sharing of autonomy', he renounced to the absoluteness and, hence, to the *incommensurability*, of his sovereignty, de facto opening to the possibility of a 'civil' negotiation of powers. Significantly, following the (con)cession of autonomy, the liberating power carried by *nomisma* remained still *conditional* upon the issuer's security so that the sorts of the coin bearers became intimately connected to the fate of the coin issuer: as a result the autonomy of the coin bearers was enhanced upon the sovereignty of the coin issuer, and vice versa. Notably, 'sharing autonomy' via the currency did not diminish in any meaningful sense the power of the issuer but only made it legitimately *commensurable* to that of those who now owned the currency and were thus in the condition to negotiate its value (and validity).

And so, thanks to the institution of coinage, a concertation of sovereignty among

different classes of property-owners was eventually set up. This is why we can confidently sustain that, though it was bound to become the primary medium of circulation in the ancient Greek world, *nomisma* did not originate in an economic exchange but in a political participation: a (con)division, or (con)cession, of autonomy which de facto *fragmented* and hence *diffused* power[62] among the collectivity of property-owners in ways that were universally acknowledged as *legitimate*. In short, *nomisma* was the institution of a collective criterion of distribution of power, and therefore 'the making of' sovereignty.

By the same token, *nomisma* was also 'the making of' justice. In this respect the reader will recall that for Aristotle the type of justice that *nomisma* brings about, similarly to the type of autonomy that it enables, is not total but partial, for it entails a commensuration of man with man that only applies to the citizens of the polis (the minority of proprietors) and which is based neither on criteria of human dignity and civic excellence (*axia*), nor on virtue, knowledge and education, but on what has been (already) *divided* and distributed among those who hold power in the city – i.e. it is based on private property. As such, *nomisma* does not directly give rise to *equity* but only establishes a *proportionality* – an *equality in exchange* – among proprietors. However, it is precisely because *nomisma* gets instituted as the object of a reciprocal *acknowledgement* of private property (i.e. a sort of private equity of 'what falls to be divided') that a higher equity of a juridical kind (i.e. a common law or public legislation) can be eventually achieved. In fact, says Aristotle (see also Castoriadis, 1984), the type of distributive justice performed by *nomisma* must be necessarily complemented by a corrective (or rectifying) justice and, thus, by the institution of a compensatory system based on the law (*nomos*) capable of upholding both *equity* and the *equitable* for the entire community of proprietors/shareholders of the polis.

In this respect, it is worth noting that early Greek written law was predominantly concerned with the regulation of concrete offences to one's property rather than with the establishment of legal principles of justice; in that, it "betrays an attempt to fix rules and thus also to fix the amount of penalties to be paid" (von Reden, 1997: 161). To be sure, these compensatory, self-disciplining mechanisms were designed by the proprietors *for* the proprietors (among whom priests, high magistrates, and judges). Indeed, "[d]espite the fact that in principle monetary penalties could accrue to any citizen, the surviving body of evidence suggests that it was above all the élite holding political and religious office who

[62] In this respect, Graeber (2011: 190) says that coinage brought about a democratisation of desire.

had to be able to afford substantial monetary penalties" (von Reden, 1997: 163). To be sure, we have no ground to sustain that early codified law was a *consequence* of the institution of coinage. However, it can be fairly sustained that *nomisma* and *nomos* partook of the same process of norm formation – the same *normativity* – which was at the basis of the construction of the sovereign-legal space of the Greek political (civil) society.

Finally, a consideration on the subtle relation between *nomos* and *physis*, as discernible in coinage: the fiduciarity of *nomisma*, it's been argued, is intimately connected with the possibility of *redeemability*, that is, with the *surety* of prospective acceptability given by the issuer of coinage when he promises to accept its token back for future payments. It is only upon the issuer's security that *nomisma* can circulate at its full value as a *positive equity*: outside the sphere of sovereignty of the issuer, where the stamp of the authority no longer *counts*, the value of *nomisma*, is destined to decrease and might even turn into a negative equity (a worthless token, a liability, especially if the metallic content of coinage is no longer recognised as a valuable asset in itself). This is, quite simply, why *nomisma* is said to be not by *physis* but of the same kind as *nomos*: because it enjoys within the jurisdiction of the polis a nominal/fiduciary (*conventional*) value in excess of the real/commodity (*natural*) value of the precious metal of which it is made. However, it is quite significant that the conventional value of Greek silver coins was only slightly higher than their market value as bullion. In other words, though it was fiduciary, Greek coinage never was a 'fiat currency' with no 'intrinsic' value. As Seaford himself points out, "the Greeks did not develop *token* money" (Seaford, 2004: 144).

Quite the contrary, evidences suggest that the 'hardware' of coinage *did* matter a great deal, as the generally high levels of purity of coins in the Archaic and Classical periods corroborate (Seaford, 2004: 137). This is puzzling; in fact, if it's true that coins at some point were no longer weighed but counted because citizens trusted their conventional value, why bother with the purity of their metallic *physis* and not mint instead base metal coinage? According to Schaps (2004: 30), coins' purity was not due to ideological or religious (or some would say 'irrational') reasons but to practical ones: "it was not virtue but economics that prevented Greek statesmen from debasing their coins: since no one state controlled the Greek world, a debased coinage, with no value outside the boundaries of the issuing state, would have made it difficult or impossible for the citizens of that state to import the things they wanted". In addition to this 'international' explanation, however,

there is also a ‘domestic’ reason: since the Greek poleis were essentially agrarian societies governed by big landlords, a ‘sound’ monetary policy against coin debasement was desirable because it protected the value of rent gains from pro-debtor inflation (crucial in this respect was the change of land-tenure regime and thus the shift from sharecropping to cash-cropping, responsible for the monetisation of agrarian rental obligations, see von Reden, 2010: 38-9).

Significantly, the conventional value of *nomisma* was enhanced upon the ‘intrinsic’ desirability of its substance and thus leaned on a subterranean *physis*, in virtue of which it was recognised as *universally* valuable (though in varying degrees) also ‘abroad’, where the citizens of the polis could enjoy its power in their exchanges with *others*. Crucially, here by *physis* we should not immediately think of the “first natural stratum” (Castoriadis, 1997) of coinage, i.e. the brute *datum* of its metallic substance. There is nothing ‘intrinsically’ worth about silver or gold. What is ‘natural’ about coinage is not its substance per se (which simply *is*) but the fact that this substance is universally recognised as prestigious, sought-after, despite its visible uselessness. Far from being a natural *datum*, the *physis* of the Greek currency is, like its *nomos*, the product of a *reification*, a social *factum* originating in alienation that goes back to an ancient time that far predates the cultic practices of the Archaic age. Regrettably, exploring the subterranean *physis* of *nomisma* – and namely why precious metals were indeed *precious* in the ancient world – far exceeds the possibilities of this work. In the conclusions I will nonetheless spend a few more words on the elusive relation between *physis* and *nomos* occurring in the Greek currency.

Conclusions?

In the closing of the last chapter I have pointed out that the fiduciarity of *nomisma*, i.e. its *nomos*, was enhanced upon the ‘intrinsic’ desirability of its precious-metal substance, and thus leaned on a subterranean *physis*. Put simply, Greek coinage was a conventionally accepted measure and a fiduciary means of payment and exchange only because it was also a universally recognised *store of value*, that is, a highly valuable asset – precious metal – good for internal market exchange as well as external trade. Significantly, as a store of value, coinage embodied not only the capacity to settle debts in the present but also the certainty of settling them *in the future*: it was a ‘surety for future exchange’, in Aristotle’s words (Ethics, 1133b: 10), or, as Seaford put it (2004: 16), “the power to meet social obligations” (Seaford, 2004: 16).

In the Greek coinage the symbolic *means* (of payment) coincided with a material *end*, that is, the sought-after power to redeem oneself from the grip of patronage and aristocratic lordship. Coinage was thus emblematic of a peculiar value – a *surety* that in modern financial jargon goes under the name of *equity* (modern equities, that is, common stocks are in effect traded as financial *securities*). That is to say, ontologically, *nomisma* was a stake/stock in the autonomy/sovereignty of the polis, a primordial financial asset that was neither ‘nominal’ nor ‘real’; instead, it was “both material and symbol, both matter and trope […] the merging of precious metal and civil stamp” (Kurke, 1999: 300). In this vein, Seaford (2004: 136) has argued that Greek coinage entailed “the combination of, and the antithesis between, sign (or form) and substance”, but he also pointed out that it was “an antithesis in which, although the substance must have some intrinsic value, *decisive is the sign*, which implies a homogeneous ideal substance distinct from the metal in which the sign is expressed”.

The sign of *nomisma*, that is, its coin-form (*eidos*), is decisive because it *brings identity*

into the nature of metals. *In virtue of* the sign, the metal is made uniform, fungible and universal, homogenous as well as homogenising, impersonal as well as depersonalising, potentially unlimited, capable of uniting the opposites (Seaford, 2004). For these reasons the *physis* of *nomisma* possesses the character of a transcendental nature and can be accordingly defined as a *meta-physis*, i.e. 'a *physis* in transcendence of *physis*'. Notably, the Greek preposition *meta* (*μετά*) means 'after', 'beyond', 'adjacent', 'self': *nomisma* is a metaphysical entity – in fact, a virtual entity: a piece of metal that is *nearly* a lump of metal but which is *not really* just metal/bullion – that is adjacent to (associable to) all other things, but which at the same time is *other than* all things, including itself. In other words, *nomisma* is a self-referential form (the prefix *meta* also means 'about itself') that, like all *eidei*, contains in itself the possibility to 'transcend' itself, that is, change (see chapter 4).

Notably, as an *eidos*, *nomisma* seems to come 'out of nothing': it has no provenance but, as Castoriadis put it, is an *advent*. The nothing out of which *nomisma* is created, however, is not oblivion in an ontological sense but a significant nothing that ought to be instituted like any thing else: it is the virtual place of *intangibles* (see chapter 3), where "the immaterial equipment, or, by a license of speech, the intangible assets of the community" (Veblen, 1908: 518) are stored. And so, only *apparently* does *nomisma*'s *eidos* come out of nothing, for the *eidos*, as a social imaginary signification, is, to quote Veblen, "necessarily a product of the community, the immaterial residue of the community's experience, past and present, which has no existence apart from the community's life, and can be transmitted only in the keeping of the community at large" (Veblen, 1908: 539-40). This does not mean that something like 'society' can create institutional forms such as money, but, more significantly, that whatever *we* create 'out of nothing' does not spring ultimately from our subjectivity (or imagination) but more *pragmatically* from the social relations through which we are able to relate (physically and imaginarily) with the Other and construct at once our subjectivity and the world. In short, *institutional genesis is in social relations*.

Through social relations, men realise/activate 'indefinite skeins of interminable referrals' to forms, ideas, figures, and words *that glitter in history and fable* (see chapter 4). In effect, history, so neglected and forgotten by 'men possessed of *logos*', is *nothing* but a *monumental presence* of "the knowledge of ways and means" (Veblen, 1908: 518), the intangible assets of the collectivity sprouted from past social relations and crystallised into

institutional forms. And so, if *eidos* is 'in theory' *a* creation out of nothing, 'in practice' it is a creation *out of history* (to be sure, a history that is taken for granted, *given* as a datum, and which is thus forgotten and eventually neglected/negated). Crucially, this does not mean that an institutional form is a product of History, or Historical Necessity; quite the contrary, the institutional form enables social and institutional change: it is the *making of* historical change.

And so, if men create *eidos* in the praxis of socially relating, the resulting historical process of creating *eidos* is *techne*. Of course, in *nomisma*'s case (but the same is true for all other *eidei*), *techne* does not simply refer to the technology to make coins out of metal (i.e. metallurgy, minting) but corresponds to the much broader historical process of producing them 'out of nothing' – that is, the process of transforming pieces of metal into an institution of equality in exchange. We call this 'technical' process *monetisation*. Significantly, "monetisation", writes von Reden (2007: 3), "means not just the establishment of a coinage, but involves the more complex process of re-placing existing forms of money and transforming very diverse institutions of payment into cash transactions". This means that although it is of course intertwined with the development of coinage, monetisation is a much more encompassing process that also involves the formation of prices (i.e. the transformation of things and human beings into sellable assets) and the commercialisation (commodification) of social relations, based on cash transactions as well as credit (von Reden, 2010). More generally, *techne* is the *social-historical process* by means of which nature, including the nature of men, is *transformed*, that is, *produced (and reproduced) as a form*. Hence *techne* is always *practically* a production of new landscapes, new architectures and, especially, new *figures* (such as the *eidei* of 'lord' and 'slave') out of the old ones. This is why, historically, coinage was not an 'invention' but a gradual 'development' (coming at the end of a historical process of monetisation of the ancient Near Eastern world), even though it coincided with an institutional (cultural, social) revolution (chapter 6).

Of course, such a social-historical process of producing and reproducing forms – in Marxian jargon, the process by which men exploit nature and produce the means of their social and institutional reproduction – cannot *begin* unless men are held together in the name of a reciprocal indigence, that is, unless they acknowledge their 'being in debt with one another' as a *principle* of inter-action (*axia*) (chapter 5). It is only upon granting status

to each other that men can eventually establish *politike_koinonia* and start altogether ‘amassing’ their intangibles and ‘drawing’ on them to achieve their purposes (in Archaic Greece this amassment of intangible wealth was literally performed via the temple’s cult, see chapter 6). Yet, by setting up a ‘going concern’, or a collective enterprise, what political coalitions can eventually achieve might completely negate the original reasons that brought them together in the first instance. In fact, although coinage arose as the emblem of a political participation in the constitution of the polis, according to Graeber (2011: 229; see also Ingham, 2004: 99), the politics of its production and distribution were responsible for giving rise in classical antiquity, starting from the second half of the first millennium BC, to a “military-coinage-slavery complex” that reorganised the broad Mediterranean geopolitics in an *imperial* fashion, that is, in ways that destroyed the political autonomy of poleis and alike local political organisations.

In this respect, I wish to emphasise a peculiar development in the production of coinage that took place in the Hellenistic world, that is, in the epoch marked by the imperial rule of Alexander the Great and the Macedonian kings that followed. Under these circumstances we witness “an increasing distinction between the large denomination ‘Hellenic’ coinage for international use and smaller denomination coinage for local use” (Howgego, 1995: 49). This monetary development, in short, consisted in the emergence of ‘closed-currency’ systems, as for instance in the case of Ptolemaic coinage (see von Reden, 2007: 43), based on an institutional separation between precious-metal coins with high intrinsic value, adopted by the élites for ‘international’ transactions, and base-metal, or debased precious-metal, coins for local transactions. The imperial drift thus coincided with a loss of intrinsic value for local coins, compared to the high intrinsic value of early Greek coin series.

This loss of intrinsic value of Hellenistic local coinage, put crudely, meant that whereas coinage arose as a form of *equity* qua *stake* in the sovereignty of the polis – a liberating power and an emancipating technology –, in conjunction with the imperial turn it lost at the local level much of its equitability, its capacity to *properly* express distributive justice, and became similar to a fiat money, a *negative equity* or a *liability* issued via ‘deficit spending’ (a subtle taxation) by local kings. This altogether calls for the following consideration: the more the *physis* of *nomisma* transcended its *physis*, i.e. the more coinage was debased and came to rely exclusively on its fiduciary value, the more the *nomos* of *nomisma* transcended its *nomos*, i.e. the more coinage broke away from distributive justice – or,

more precisely, the more it broke away from the type of distributive justice *current* in the polis to become expression of the type of distributive justice *current* in the empire. This is why it has been argued extensively in the last two chapters that *nomisma* was from the beginning a *political phenomenon*: because its institution did not merely provide a *solution* to, but rather *brought into being*, the problem of distributive justice. That is, *nomisma* politicised the question of private property in relation to sovereignty and law, and, more generally, it set the *standard* for debating the question of the ‘*nomos* qua *nomos*’: namely which *nomos* is the best, the most equitable, the most *natural* – on the background, which *nomisma* most *properly* expresses distributive justice, and, reciprocally, which distributive justice is the most *appropriate* to a regime of private property relations.

And so, *nomisma*’s *meta-physis* entailed at once the possibility for transcending also its *nomos*, that is, for establishing *another* type of distributive justice that might even negate prior notions of distributive justice. This is why we can conceptualise *nomisma* not only as a *meta-physis* but also and most importantly as a *meta-nomos*. I am here coining this new term, *meta-nomos*, to emphasise an important question: throughout this work I have pointed out on many an occasion that positivism entails the belief in the *autonomy of the norm*, therefore the misunderstanding that an institution such as money might consist in an entity granted with a rationality of its own against which men have no power *but trust*. However, as Aristotle reminds us, *nomisma* is of the same kind as *nomos*, that is, a self-referential and transcendental form, but this does not mean that *nomisma* is an *auto-nomos*; on the contrary, “it is in our power to change it and make it useless”. Indeed *nomisma* stands side by side with all other figures of the *nomos*, but like all other figures of the *nomos*, it is not a creature of the *nomos*, i.e. *given* by the Law, but, on the contrary, it is a creation of the *logos*, a rationality that sparkles with social relations.

This is why the ancient Greek currency does not merely *denote* a proportion (a price ratio) but *connotes/signifies* a proportionality (a value relation) among men. That is, *nomisma* is not simply a *unit* of value (i.e. scale of price) but a *unity* of value insofar as a *unity of analogy*, an indefinite skein of interminable referrals to something other than what it apparently expresses (chapters 4 and 5). Indeed, *prima facie*, *nomisma* is expression of a peculiar value, *equity*, but as a matter of fact *nomisma* is the reference to something other than equity, something inexpressible, lying ‘in-between’: *power*. *Nomisma* is the power to meet social obligations, according to Seaford (2004), but also the power to rip off others

from their context, i.e. to turn human beings into slaves, according to Graeber (2011). *Nomisma*, in other words, let an unspeakable *course of power* begin, which is expressible only as a *discourse of value* (and hence a discourse of participation, political autonomy, sovereignty, distributive justice). With *nomisma* not only metals, but also ‘citizens’ and ‘civil societies’ are *coined* (see also Kurke, 1999).

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The reader may have noticed that, curiously, I have argued in chapter 4 that money is not the same as *nomisma* and yet I have spent the last two chapters of a work on money to elucidate the significance of something which I defined as being *other than* money. Hopefully, the reason why I did it is now easier to guess: historically, the institution of *nomisma* corresponds to the emergence of the *currency* (what today goes under the name of ‘fiat money’) and even though the latter is not the same as money, it is intimately related to it and, today, subsumed under its larger semantic domain. That is to say, we can only understand money if we consider its phenomenon in its intrinsic relatedness with the currency, *for without the currency money cannot exist*.

What is, then, a currency? I contend that the currency is a token (*symbolon*) of political autonomy, that is, the foremost emblem of sovereignty. This sovereignty is never absolute or total because the currency is by definition *shared* by those who hold power, *fragmented* into stocks, stakes – forms of equity that are to all intents and purposes titles of private property – each of which embodying a portion of sovereignty and, thus, a *partial* autonomy that can be alienated, negotiated, transferred, circulated within the sovereign jurisdiction but also, to an extent, ‘abroad’. What is *current*, that is, *circulating*, about the currency is precisely the title of property in the sovereignty of the polity (or state). The currency is therefore intimately related to the polity to which it *belongs* (tautologically, it *belongs* to those who hold power in the polity), and in the same way as polities may become part of a more extensive (transnational) order of an imperial type, so may currencies be arranged in a hierarchy of value that reflects the actual sovereignty of the polities they connotes.

Contemporary currencies are normally conceptualised as ‘fiat money’, that is, money issued by decree, ‘at the stroke of a pen’. This seems to suggest that they are somehow

created at will by governments, but this is not the case, for governments (Treasuries) do not normally issue currencies: central banks do. As a matter of fact, national currencies consists in bank reserves, or else bank credits to the central bank (see chapter 2). Notably, the creation of fiat money by central banks is a by-product of the creation of money by banks or, more precisely, it is a by-product of the politics of monetary governance by banks (see chapter 3): that is, the currency is created via central bank credit operations in order to sustain the liquidity illusion of banks' balances. However, even though today causation seems to go from bank money to central bank currency, *historically as well as logically* the currency is prior to money. That is, without readily negotiable, current capital, there can be no equity to *leverage*, and hence no production of *net worth* called 'money' (see chapter 3).

Crucially, a currency is equity value which only apparently is created out of thin air, *ex nihilo*, for in reality *in thin air lies property* (see chapter 3). In particular, the currency is created out of a 'gratuitous' participation of *pre-existing* capital, gathered on purpose in a corporate investment *fund, or trust* (prototype of modern central banks), by some political coalition of 'equals' (shareholders) who, by instituting *their* currency, lay the foundations for vindicating their autonomy and independency – in fact, their partial autonomy and inter-dependency – and exerting their sovereign power – in fact, their *diffused* government, or else financial *governance*, of the polity. The establishment of the Bank of England provides an archetypical example of how modern currencies are instituted (see chapter 3). In the world of currencies, authority is exerted through a form of governance, rather than a proper government, precisely because sovereignty is partially (con)ceded, *diffused*, circulated. I say 'partially' also because as a matter of fact modern currencies do not circulate extensively throughout the economy but are stored as bank reserves and only circulate into inter-bank circuits (markets for reserves and so on).

Significantly, a currency is essential to the creation of bank money 'out of nothing' – in fact, out of history – because it carries with it a *history of politics*. Indeed, like the stock of a corporation, *the currency of a polity is coined out of past property*: *that is, it is a capitalisation of the past*. Those who possess the currency accordingly own *a right against what is already in the world to own*. For these reasons the currency is the most secure of all assets. Modern national currencies, in particular, are *securitised* on the pledge/collateral of the power to tax – in fact, the power to unilaterally impose a debt on others – formally held

by states, but substantially exploited by banks to *enhance their credit*, that is, *monetise their claims* (see chapters 2 and 3). And so, it goes without saying that as soon as the currency is instituted, credit arrangements can flourish on the basis of its universal security. For instance, as Cohen (1992) has convincingly shown, in ancient Athens complex credit and bank arrangements became a highly institutionalised practice as early as the fourth century BC, that is, *following the consolidation of the Athenian currency*. To be sure, this does not imply that the currency is a precondition to credit; rather it means that *faith* in the currency (chapters 4 and 6) enhances credit, makes it more easily to grant, negotiate, market.

It is worth noting in this respect that, historically, before the institution of modern money, currency and credit remained separate entities (see Amato, 2008): in other words, before the modern era it was not possible for debtors to indefinitely procrastinate the time of final settlement *in cash* by rolling over their debts. Stated differently, unlike the currency, credit never was a means of *final* payment but only a means of payment *pro tempore*. By contrast, with the advent of modern money, that is, *this* money (see chapter 4), *pro tem* bank credit has become a right to demand and sue for payment of a debt "for the time being" – allegedly for ever – as long as the illusion of liquidity is kept alive. The *credo* of capitalism has been accordingly preached on the systematic deferral of the rendering of bank accounts, an annihilation of the time of redemption that has condemned us to a Keynesian long run, when we are all dead (chapter 3). National debts have been thus erected in monumental memory of redeemability, and nowadays stand impenetrable, incomprehensible, frightening, like totemic monoliths of a metaphysical empire (see Amato and Fantacci, 2012), spreading an existential nihilism that reads "paying the debt is meaningless and yet we shall keep paying".

Now, unlike the currency, money is not a 'piece' or a 'token' of sovereignty; as Mitchell Innes (2004 [1914]: 56) wrote: "the eye has never seen, nor the hand touched a dollar. All that we can touch or see is a promise to pay or satisfy a debt due for an amount called a dollar". Instead, money is a political *project* of autonomy, a promise of sovereignty: it is future control over people and things. This project 'stretches out' or, better, 'leans forward', connecting present and future values on the basis of current distributions of power. Differently from the currency, money is anonymous, knows no history and apparently has no history: it is a *projection* of the future political economy based on a

complete *disregard of its past*. Money can be *volatile*, as in capital flights, and be hidden in opaque financial heavens – in fact, *purgatories* where money can be recycled, purified and eventually given a new face value.

And yet, however it may disregard history, money cannot prescind from it in the end; that is to say, money always ought to build up on the currency, which in fact is often labelled 'monetary base'. In other words, the monetary illusion – that is, the illusion of liquidity – can only be carried out on the basis of the legal fiction of equality in exchange, as instituted by the currency. More generally, money needs the sovereign boundaries of the law in order to exploit and exceed its jurisdictional limits. Conformingly, money appears as an oceanic (transnational) flow of liquid power whose boundaries are shored by the solid lighthouses of currencies and national stocks. However, because of its 'overflowing' nature (a product of leverage), if triggered by the 'perfect storms' of financial bubbles (which are coordinated strategies of power redistribution, see chapter 3), money may turn into a tsunami sweeping away sovereign boundaries and showing, with its backwash, the true miserable face of modern currencies as *negative equities*, i.e. liabilities.

Crucially, the basic difference between currency and money is not one of respectively equity and liability, but one of value and value. The value of the currency arises from a gratuitous (*a fondo perduto*) participation – a *participatio* of powers (privileges and proto-rights by the élite of property-owners) that 'yields' sovereignty. By contrast, the value of money is constructed out of a profitable exchange – a *permutatio* of obligations, a promise for a promise, and therefore a *mutuum*, an interest-earning debt relation. In particular, money is created in what Heinsohn and Steiger (2000; 2006, 2009) have termed in their 'property theory of interest and money' a *collateralized credit contract*. At the basis of Heinsohn and Steiger's theory is a fundamental distinction between 'possession' and 'property', as epitomised by the Roman dictum *proprietas in iure, possessio in fact est* (Heinsohn and Steiger, 2006: 491).

As they explain, "rules of possession, individual and/or collective, determine who, in what manner, at what time and place, to what extent, and by exclusion of whom, may physically *use* a good or resource and change its substance and form" (ibid., 490). In short, possession is about holding things (including people) for one's own use; as such, it practically denotes any tangible thing (*use value*) that is physically owned. Property, on the other hand, "is not, in its modern sense, confined to that which may be touched by the

hand, or seen by the eye" (quoted in Commons, 1924: 18), for property, explains Commons, "means any of the expected activities implied with regard to the thing owned" (ibid.). Property, in other words, is *exchange value*, "the power to withhold from others what they need […] protected by the physical power of the sovereign" (ibid., 52).

Property is therefore 'business as usual' for those who hold power in the constitutional state, and "business operations", argue Heinsohn and Steiger (2000: 70), "are not performed with the soil, but with the fence around the field" – that is, by enforcing property claims on what is in the world to be controlled. As soon as a claim is enforced *ex nihilo*, it carries what Heinsohn and Steiger (2000: 81) have termed an "unearned property premium", or, simply, a *rent*: an intangible yield that accrues to the property title. In virtue of this unearned immaterial rent, the property title is born with the innate character of a *security*. Crucially, this security, or property premium, "allows proprietors to enter credit contracts, and is a measure of the potential of individuals to become creditors and debtors" (Heinsohn and Steiger, 2000: 82). More specifically, it entails the right to "(i) *burden* property titles in issuing money against interest; (ii) to *encumber* these titles as *collateral* for obtaining money; (iii) to alienate or *exchange*, including sale and lease; and (iv) to *enforce*" (Heinsohn and Steiger, 2006: 490).

Put crudely, this means that money can only be created in a credit contract where both parties are *legally equal* proprietors. Indeed, in the credit contract both creditor and debtor ought to 'block' (either burden or encumber) the property premium attached to their property. In particular, the creditor ought to burden her *own capital* (e.g. readily transferable current stock, or else currency) while the debtor ought to pledge, or encumber, property as collateral (notably, this property, unlike the creditor's own capital, is not readily transferable, that is, current). By blocking their respective property in the credit contract, creditor and debtor are able to produce two different documents, which they thus exchange: one document is the interest-bearing obligation secured by the debtor's collateral, which becomes an asset for the creditor (a right to sue and demand for payment); the other document is the non-interest-bearing claim (in fact, an IOU) backed by the creditor's own capital. "The first document is the credit contract by which the second document is *uno actu* issued and loaned as money proper. Therefore, *money is created in a credit contract but is not itself a credit* [or debt]" (Heinsohn and Steiger, 2000: 86).

Now, the interest-earning document issued by the debtor, i.e. the *obligation*, is a

“contract between a specified creditor and a specified debtor. It binds the named debtor to refund to the named creditor the money proper loaned, to pay interest, and to collateralize property for the creditor” (ibid.). Crucially, this obligation is “a tradable asset”, meaning that “the identity of the creditor can change, while the bond and the name of the debtor is always the same” (ibid.). Put simply, the creditor can always get out of the contract by selling the obligation to a third party, but this will not cancel the debt, nor will it unblock the debtor’s collateral. The obligation, in other words, is always a liability for the debtor and an asset for the creditor.

By contrast, the non-interest-earning document issued by the creditor is “an anonymized title in so far as only the issuer of this document is named, but no debtor. This means that everybody who holds this claim does so without interest, because it is paid by the debtor named in the credit contract” (ibid.). This anonymized title is *net worth* to the holder, or else *purchasing power* denominated in the creditor’s monetary standard. Crucially, “[t]he creditor cannot help but establish his own standard *at the very moment* he issues the claims to property we call money in a credit contract” (Heinsohn and Steiger, 2000: 84, my italic), meaning that the measure is constructed *in exchange*, not prior to it (as Ingham argues, see chapter 1).

Notably, money’s “net worth is not eliminated again when the loan is paid back” (Heinsohn and Steiger, 2007: 498). On the contrary, once put in circulation, money serves as a bearer of investment options, and only one of these options is “to present it to the creditor-issuer and have it redeemed” (Heinsohn and Steiger: 2000: 86). Notably, in a capitalist economy redemption is normally the least profitable option in the short run for money-holders, who might want to obtain a higher return by investing it in interest-earning financial titles. But what is more important, redemption is a viable option only for very big investors, and ultimately for banks themselves in competition with each other at the global level. By contrast, no redeemability option is *really* available for the peoples.

Indeed redemption can be indefinitely procrastinated at the systemic level as far as aggregate creditors are able to engage in a coordinated fashion in the creation of secondary markets for interest-earning IOUs. Needless to say, these peculiar financial commodities are systematically supplied by their aggregate debtors when they enter a credit contract (see chapter 3). To be sure, this vicious spiral of debt ‘relations of relations’ is hardly sustainable unless creditors find a ‘pledgor of last instance’ that is willing to routinely

borrow on the basis of a stable security that can be readily sold (via market) to third parties by means of bank discounting. This pledgor, the reader will recall, is the modern constitutional state. The state's government borrows money from banks by pledging as collateral a security that essentially consists in its fiscal power to tax. Hence, upon borrowing money, the government issues a bond and 'blocks' part of the its sovereignty, which is thus mortgaged to banks (via the central bank) until the government will extinguish its debt (plus interest). To be sure, no government will ever extinguish its debts to banks, but only roll them over whilst servicing the interest, unless it decides to walk through the perilous path of debt default.

To be sure, the modern story of state deficit finance is one of a routinely renegotiation of debts, and, reciprocally, of a systematic bank securitisation of the public debt, which is capitalised and marketed by banks upon lending. Put crudely, this means that, contra Heinsohn and Steiger's theory, when the banking system as a whole, through the mediation of the central bank, 'lends' money to the government, it does not block any capital on its side (except for an *una tantum* participation in the common investment fund called central bank) but automatically *capitalises* the government security as a bank asset. The same is true when the single bank grants credit to a private agent (a household or a firm): whereas the debtor ought to pledge a collateral on her side to get the money (even though the collateral might be largely unspecific when the debtor is largely trustworthy), the bank needs to burden *nothing* of its own when it issues money. This is because the banking system as a whole has learned how to avoid burdening its *own capital* by sustaining the illusion of the liquidity of its monetary claims through an infrastructure of secondary markets (see chapter 3).

As a result, the more bank balances are securitised, the less banks are responsible for guaranteeing the redemption of their promises – and the less they will ensure *equity* in the end. Securitisation, in particular, engenders the dangerous idea that one can borrow from the future without ever having to pay for it and, especially, *without ever coming to terms with the past*. But as much as 'those who make money' will exorcise history by turning debts relations into tradable commodities 'no question asked', they will never dispel the people's demand for equity. For today equity is ensured for banks and banks alone, and this is true nearly everywhere in the world. Transnational banks are "the rulers and regulators of commerce and they almost control the fortunes of states" through a global infrastructure

of financial governance. They hold stakes in nearly everything, but their equity is all in all a *negative equity*, as their stakes are leveraged not in view of a progressive *emancipation* of the peoples but on the calculus of a profitable redistribution of powers over everything that *is* and *will be* to own. The value of contemporary central bank currencies is near to zero, in spite of the fact that we pay an enormous price for keeping them *current*; fortunately, people are finally coming to see through the glowing reality of money, helped by the progressive dissolution (via debt deflation, see Hudson, 2012) of the liquidity illusion. The emperor is naked and its money, *this* money, is bound to be comprehended in the end, and redelivered to the nothing where it properly belongs.

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